

FSA HANDBOOK

General Program Administration

To access the transmittal page click on the short reference.

For State and County Offices

SHORT REFERENCE

1-FLP

UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

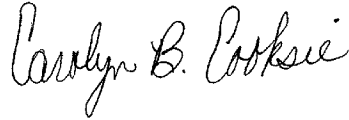
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**General Program Administration
1-FLP**

Amendment 12

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

**A
Reasons for
Amendment**

Subparagraph 441 F has been added to include reference to Exhibit 25.

Subparagraph 442 A has been amended to clarify the intended use of FSA-2101.

Exhibit 25 has been added to provide the DD Oversight Review Manual.

Exhibits 26 through 47 have been added to provide examples of the reports to be used with the reviews.

Continued on the next page

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibit
3	9-51 through 9-54	1, pages 1-8 25, pages 1-30 (add) 26, page 1 (add) 27, page 1 (add) 28, page 1 (add) 29, page 1 (add) 30, page 1 (add) 31, page 1 (add) 32, page 1 (add) 33, page 1 (add) 34, page 1 (add) 35, page 1 (add) 36, page 1 (add) 37, page 1 (add) 38, page 1 (add) 39, page 1 (add) 40, page 1 (add) 41, page 1 (add) 42, page 1 (add) 43, page 1 (add) 44, page 1 (add) 45, page 1 (add) 46, page 1 (add) 47, page 1 (add)

Table of Contents

Page No.

Part 1 Introduction and Purpose

1	Purpose and Sources of Authority	1-1
2	Related References	1-2
3	FLP Organizational Structure	1-3
4-20	(Reserved)	

Part 2 FLP's Authorities

21	Introduction	2-1
22	General Delegation Requirements	2-2
23	State Office and Service Center Authorities	2-4
24	Delegating Appraisal Authority	2-6
25	Delegating Loan Approval Authority	2-7
26	Delegating Loan Servicing Authority	2-9
27	Maintaining Approval Authority	2-10
28	Establishing Credit Quality Standards	2-11
29	Maximum Loan Authorities	2-12
30-40	(Reserved)	

Part 3 Miscellaneous Procedures and Systems

41	Nondiscrimination in FLP	3-1
42	Appeals	3-6
43-51	(Reserved)	
52	Automated Discrepancy Processing System	3-29
53-80	(Reserved)	

Parts 4 and 5 (Reserved)

81-140 (Reserved)

Part 6 Appraisals

141	General Appraisal Requirements	6-1
142	Appraisal Reports	6-4
143	FSA Review of Appraisal Reports	6-6
144	Appeals of Decisions Based on Appraisals	6-10
145	Appraiser Qualifications	6-12
146	Appraiser Training Requirements	6-13
147-160	(Reserved)	

Table of Contents (Continued)

Page No.

Part 7 Program Loan Cost Expenses

161	Introduction to PLCE's	7-1
162	Allocating PLCE Funds	7-4
163	Program Authority Codes	7-6
164	Obligating Funds and Making Payments	7-8
165	Stopping Payments, Substituting or Replacing Checks, Canceling Checks, and Requesting Emergency Payments	7-10
166-200	(Reserved)	

Part 8 (Reserved)

201-400 (Reserved)

Part 9 Internal Controls

Section 1 National Internal Review

401	Introduction	9-1
402	NIR Software	9-3
403	Service Center FLP Borrower File Reviews	9-4
404	FLP Management Reviews	9-8
405	FLP Civil Rights Reviews	9-9
406	National FLP Quality Assurance Reviews	9-10
407	Reports and Follow-Up Actions	9-11
408-440	(Reserved)	

Section 2 DD FLP Oversight Activities

441	DD FLP Oversight Reviews	9-51
442	Reporting Requirements	9-53
443	Reviewing Reports	9-54

Table of Contents (Continued)

Exhibits

1	Reports, Forms, Abbreviations, and Redelegations of Authority
2	Definitions of Terms Used in This Handbook
3	(Reserved)
4	State Supplements
5, 6	(Reserved)
7	Delegating FLP Authority
8-12	(Reserved)
13	PLCE Allocations for FY 2001
14	Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - Farm Loan Programs
15-19	(Reserved)
20	FLP National Internal Review Guide
21	FLP Borrower Case File
22	FY Quality Assurance Review Schedule
23, 24	(Reserved)
25	DD Oversight Review Manual
26	MAC Report UAA911-R009, "Application Report, All Farm Loan Programs - Direct for Fiscal Year ____"
27	MAC Report UAA9A4-R004, "Application Statistics for FY ____"
28	Report Code 540, "Status of Farm Credit Programs"
29	MAC Report UAA395-R001, "1951-S History Report"
30	MAC Report UAA921-R001, "Direct Loan Servicing Report, All Open Activities"
31	MAC WLS Code 4030 Report
32	MAC WLS Code 4025 Report
33	MAC WLS Code 4010 Report, "Follow Up 1962-1"
34	MAC WLS Code 4015 Report, "Follow-Up With Security Agreement"
35	MAC WLS Code 2050 Report
36	Report Code 660D, "Limited Resource Loan Review"
37	Report Code 660A, "Limited Resource Loan Review Report Past Due Reviews"
38	MAC WLS Code 4000 Report, "1-Year Limited Resource Review"
39	ADPS Transaction Code 8M, "Limited Resource Loan Review"
40	ADPS Transaction Code 8R, "Interest Rate Adjustment"
41	Report Code 736, "Annual Review and Classification of Farm Loan Borrowers as of January"
42	Report Code 597-A, "Farm Credit Programs Inventory"
43	MAC Report UAA917-R008, "Application Report, All Farm Loan Programs - Guaranteed for Fiscal Year ____"
44	MAC Application Information Screen UAA20601
45	MAC WLS Code 4046, "Interest Assistance Review"
46	GLS2001 Report, "Listing of Delinquent Borrowers"
47	MAC WLS Code 4020 Report

Part 1 Introduction and Purpose

1 Purpose and Sources of Authority

A

Handbook Purpose

This handbook is designed to assist FSA in understanding:

- general and administrative regulations governing FLP's
 - roles and responsibilities in implementing those regulations and other general and administrative responsibilities.
-

B

Sources of Authority

The sources of authority for this handbook include:

- 7 CFR Part 761 and other Agency regulations that may be referenced throughout this handbook
 - the various laws and statutes passed by Congress, including CONACT.
-

C

Regulation References

Text in this handbook that is published in the CFR is printed in **bold** text. The CFR citation is printed in brackets in front of the text. The references and text:

- are intended to highlight the requirement spelled out in the CFR
 - may be used to support FSA adverse decisions.
-

2 Related References

A

Other FLP Handbooks and FmHA Instructions

2-FLP addresses the making and servicing of FLP guaranteed loans.

--6-FLP addresses ITLAP, SALP, and the Emergency Loan Seed Producers Program.--

FmHA and RD Instructions about loan making and loan servicing activities are listed in 1-AS, Exhibit 7.

Continued on the next page

2 Related References (Continued)

B

Other Related FSA Handbooks The following FSA handbooks concern FLP.

IF the area of concern is about...	THEN see...
canceling loan checks and payments	3-FI.
confidentiality	2-INFO.
employee conflict of interest	3-PM.
forms that cannot be accepted by FAX	1-CM.
maintenance of general and administrative files	25-AS.
Privacy Act	3-INFO.
reports	20-AS.
reviews and appeals	1-APP.

C

State Supplements

Exhibit 4 lists State supplements required by this handbook. SED's shall:

- issue required supplements, and any additional supplements, according to 1-AS, paragraph 216

--obtain approval of State and additional supplements according to 1-AS, paragraph 220.--

D

Websites

The FSA website at <http://www.fsa.usda.gov> contains basic program information and program updates for Agency programs, including those covered by this handbook.

The FSA intranet website at <http://intranet.fsa.usda.gov> provides electronic access to some FSA handbooks.

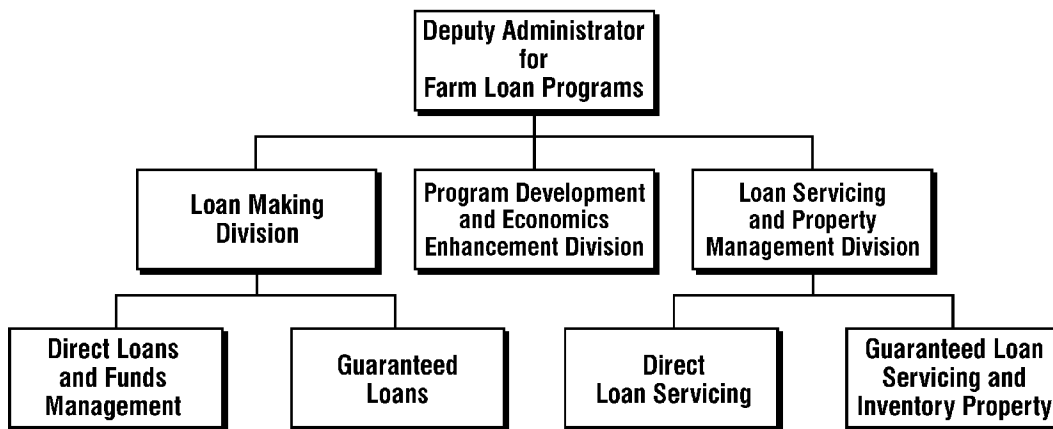
The FSA, NRCS, and Rural Development common Internet website at <http://www.sc.egov.usda.gov> contains downloadable Agency forms.

3 FLP Organizational Structure

A National Office FLP Organizational Structure

Following is the National Office FLP organizational structure.

FLP Organizational Structure



B Contacts for the Office of the Deputy Administrator

Names, address, and telephone and FAX numbers for the Office of the Deputy Administrator are as follows.

USDA FSA DAFLP STOP 0520
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0520

Note: County Offices shall address questions to the State Office. State Offices shall contact the National Office as needed.

Office of the Deputy Administrator FAX Number 202-690-3573		
Name	Title	Phone Number
Carolyn B. Cooksie	Deputy Administrator	202-720-4671
Almeda (Dee) Cole	Assistant Deputy Administrator	202-720-7597
Thomas Kalil	Assistant to the Deputy Administrator	202-720-9876
--Inga L. Kenner--	Secretary to the Deputy Administrator	202-720-4671
Clara Moore	Secretary to the Assistant Deputy Administrator	202-720-7597
--William Cobb	Special Programs Coordinator	202-720-1059--

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3 FLP Organizational Structure (Continued)

C

LMD Contacts Names, address, and telephone and FAX numbers for LMD are as follows.

*--

For USPS delivery	For FedEx or UPS delivery
USDA FSA DAFLP LMD STOP 0522 1400 INDEPENDENCE AVE SW WASHINGTON DC 20250-0522	USDA FSA DAFLP LMD SUITE 240 1280 MARYLAND AVE SW WASHINGTON DC 20024

--*

Note: County Offices shall address questions to the State Office. State Offices shall contact the National Office as needed.

LMD FAX Number 202-690-1117		
Office of the Director		
Name	Title	Phone Number
James Radintz	Director	202-720-1632
Mark Falcone	Deputy Director	202-720-1632
Bashir Duale	Senior Loan Officer	202-720-1645
Deborah Johnson	Division Secretary	202-720-1632
*--David Zimmerman	Deputy Director Secretary	202-720-1632
Direct Loans/Funds Management Branch		
Michael R. Hinton	Branch Chief	202-720-1472
Linette Wilson	Branch Secretary	202-720-1472--*
Kurt Karlsson	Office Assistant	202-720-1638
Linda L. Baker	Management Analyst	202-720-1647
Jonathan Howard	Senior Loan Officer	202-720-0588
Orlando Kilcrease	*--Senior Loan Officer--*	202-690-0756
Kathleen Miller	Senior Loan Officer	202-720-1643
Jerry Moseman	Senior Loan Officer	202-690-4006
Catherine (Cathy) Quayle	Senior Loan Officer	202-690-4018
* * *	* * *	* * *
Clarence (Chuck) Ropp	Senior Loan Officer	202-690-4017
Richard Sharp	Senior Loan Officer	202-690-0651
Ann Smith	*--Loan Officer	202-720-1656
Patrick Spalding	Senior Loan Officer--*	202-690-0595

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3 FLP Organizational Structure (Continued)

C LMD Contacts (Continued)

Guaranteed Loans Branch		
Name	Title	Phone Number
Robert (Bob) Bonnet	Branch Chief	202-720-3889
Lynette Belt	Branch Secretary	202-720-3889
Patricia Elzinga	Senior Loan Officer	202-690-1729
* * *	* * *	* * *
Tracy Jones	Loan Officer	202-720-6771
Clarence (Sam) Snyder	Senior Loan Officer	202-720-1657
Galen VanVleet	Senior Loan Officer	202-720-1186
Kathy Zeidler	Senior Loan Officer	202-720-5199

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3 FLP Organizational Structure (Continued)**D**

PDEED Contacts Names, address, and telephone and FAX numbers for PDEED are as follows.

*--

For USPS delivery	For FedEx or UPS delivery
USDA FSA DAFLP PDEED STOP 0521 1400 INDEPENDENCE AVE SW WASHINGTON DC 20250-0521	USDA FSA DAFLP PDEED SUITE 270 1280 MARYLAND AVE SW WASHINGTON DC 20024

--*

Note: County Offices shall address questions to the State Office. State Offices shall contact the National Office as needed.

PDEED FAX Number 202-720-8474		
Name	Title	Phone Number
Bobby Reynolds	Director	202-720-3647
James Flickinger	Deputy Director	202-720-3647
Linda Armes	Management Analyst	202-720-7788
Richard Boyles	Senior Loan Officer	816-926-1495
T. Butler	Management Analyst	202-720-6870
Van Denton	Senior Loan Officer	202-720-1652
Chris Greenwalt	Senior Loan Officer	202-690-0431
Sidney Kelly	Operations Research Analyst	202-690-4002
Joan Kimes	Secretary	202-690-4001
Bruce Peters	Senior Loan Officer	202-720-7003
Steven Rubin	Senior Loan Officer	301-504-4159
Yvonne Smith	Secretary	202-720-3647
Gail Wargo	Loan Officer	202-690-4003

Continued on the next page

3 FLP Organizational Structure (Continued)**E****LSPMD**

Names, address, and telephone and FAX numbers for LSPMD are as follows.

Contacts

*--

For USPS delivery	For FedEx or UPS delivery
USDA FSA DAFLP LSPMD STOP 0523 1400 INDEPENDENCE AVE SW WASHINGTON DC 20250-0523	USDA FSA DAFLP LSPMD SUITE 500 1250 MARYLAND AVE SW WASHINGTON DC 20024

--*

Note: County Offices shall address questions to the State Office. State Offices shall contact the National Office as needed.

Office of the Director FAX Number 202-720-5804		
Name	Title	Phone Number
Arthur (Veldon) Hall	Director	202-720-4572
--Vacant--	Deputy Director	202-720-3646
Brenda McNeil	Director's Secretary	202-720-4572
Becky Vaughan	Deputy Director's Secretary	202-720-3646
James Gatliff	Senior Program Analyst	202-720-9398
Sheila Oellrich	Program Analyst	202-720-2990
Marquita Peoples	Management Assistant	202-720-8320

Continued on the next page

3 FLP Organizational Structure (Continued)**E
LSPMD
Contacts
(Continued)**

Direct Loan Servicing Branch FAX Number 202-690-0949		
Name	Title	Phone Number
David Spillman	Branch Chief	202-720-6293
--Shanda Wright	Branch Secretary	202-720-1653--
James Benson	Senior Loan Officer	202-720-3617
Niki Chavez	Senior Loan Officer	202-690-6129
Gene Christie	Program Management Specialist	202-690-2517
Michael Cumpton	Senior Loan Officer	202-690-4014
Shelley Davis	Senior Loan Officer	202-720-0078
Mary Durkin	Program Management Specialist	202-720-1658
Sharilyn Hashimoto	Senior Loan Officer	202-720-2743
Donna Hemsley	Office Automation Clerk	202-720-6293
L.D. Pletcher	Program Management Specialist	202-720-1654
*--Constance Rime	Loan Officer	202-690-4009
Trent Rogers	Senior Loan Officer	202-690-8534--*
Gary Wheeler	Senior Loan Officer	202-690-4021
Robert Zimmerman	Senior Loan Officer	202-690-4011

Continued on the next page

3 FLP Organizational Structure (Continued)**E
LSPMD
Contacts
(Continued)**

Guaranteed Loan Servicing and Inventory Property Management Branch FAX Number 202-720-7686		
Name	Title	Phone Number
Craig Nehls	Branch Chief	202-720-1984
Yavatta Morris	Branch Secretary	202-720-1984
--Polly Anderson--	Senior Loan Officer	202-720-2558
Walter Bayer	Senior Loan Officer	202-720-1360
Allan Fehr	Senior Realty Specialist	202-720-1003
Joseph Pruss	Senior Loan Officer	202-690-2854
Larry Purnell	Senior Loan Officer	202-720-4938
Mary Ann Romero	Senior Loan Officer	*--202-720-3103--*
Mel Thompson	Senior Loan Officer	202-720-7862
* * *	* * *	* * *

4-20 (Reserved)

--Part 2 FLP's Authorities*21 Introduction**

A**Overview**

This Part provides information and guidance on:

- FSA's authority to administer FLP's
 - delegating loan approval and appraisal authorities
 - redelegating SED authority
 - maximum loan approval authority by grade and position
 - maximum loan limits.
-

B**Program
Authority**

CONACT, Section 339 provides the Secretary of Agriculture authority to issue regulations and make delegations of authority as necessary to administer FLP. The Secretary delegated FLP authorities to the Under Secretary for Farm and Foreign Agricultural Services in 7 CFR 2.16. The Under Secretary further delegated these authorities to the FSA Administrator in 7 CFR 2.42. The Administrator delegates authorities to SED's, as applicable.--*

22 General Delegation Requirements

A

General Provisions

The following general provisions apply to FLP delegations of authority:

- SED shall consult with FLC before issuing, revising, or revoking delegations of authority
- authority should be delegated to the lowest level possible, consistent with employee training and experience, program requirements, and available resources
- all delegations of authority must be in writing
- ~~*--an employee who has been delegated an authority listed in Exhibit 7, may--*~~ not redelegate their authority to another employee

Note: This does not apply when designating acting officials.

- once authority is delegated, it is retained until revoked or revised according to subparagraph C.

Notes: See subparagraph 27 A for information about the impact of a change in grade or position on loan approval authority.

A new delegation of authority is not required when SED or FLM who issued the original delegation changes. The new SED or FLM may modify delegations according to subparagraph C.

Continued on the next page

***--22 General Delegation Requirements (Continued)**

B

Sample The following letter may serve as a template for delegating authority.
Delegation Letter

To: Name
 Title of Position

From: Name
 Title of Delegator

Subject: Delegation of Authority

In my authority as **(Title of Delegator)**, I hereby delegate to you the following authority(ies):

- _____
- _____
- _____.

This/these delegation(s) will continue until revoked or revised in writing.

(Signature)

(Title)

(Date)

cc: State Office (2 copies)

C

**Revising and
 Revoking
 Delegated
 Authority**

SED or FLM may revise or revoke any authority they have delegated to an employee as justified by the employee's performance and need for the authority. FLM may not revise or revoke any authority delegated by SED. Any revision or revocation of authority must be in writing. When an individual's authority is reduced or revoked, the employee must be given specific reasons for the action.--*

23 State Office and Service Center Authorities

A**Overview**

FSA's decisions to approve or reject a loan or servicing request have broad implications for the applicant or borrower and FSA. These decisions affect the applicants' lives, the achievement of program objectives, and FSA's risk exposure. Therefore, it is imperative that certain authorities be limited to those employees who have met the training and experience requirements and have been formally delegated authority. Employee responsibilities in 16-AO, paragraph 305 do not *--require a delegation of authority unless required by Exhibit 7.--*

B**State Office
Employees**

FLP authorities, except those in Exhibit 7, subparagraph A, are inherent to the position for FLC, FLS, and DD.

C**Service Center
Employees**

FLP authorities, except those in Exhibit 7, subparagraph A, are inherent to the position for FLM. FLM may delegate authorities in Exhibit 7, subparagraph B to FLO or PT.

Note: SED may delegate authorities listed in Exhibit 7, subparagraph B to other Service Center employees, if necessary, based on the State organizational structure.

Continued on the next page

--23 State Office and Service Center Authorities (Continued)*D****Acting Officials**

Acting officials, other than SED, have the inherent authorities of their regular position and the inherent authorities of the acting position, unless otherwise restricted on the designation document. An acting designation does not increase an employee's loan approval authority. Loan approval authority may only be revised according to subparagraph 22 C.

Acting SED is authorized to approve:

- loans up to the maximum limits established in subparagraph 29 D
- actions which will result in a loss to the Government.

Note: Acting FLM will be designated according to 16-AO, subparagraph 307 F.

The following letter may serve as a template for designating acting officials.

To:	Name Title of Position
From:	Name Title of Delegator
Subject:	Delegation of Authority
<p>You are hereby designated to serve as Acting (Title of Delegator), from (Starting Date) to (Ending Date). I hereby delegate to you all rights, privileges, and powers of the position (except the following:</p> <ul style="list-style-type: none"> • _____ • _____ • _____.) <p>(Signature)</p> <p>(Title)</p> <p>(Date)</p> <p>cc: State Office (2 copies)</p>	

--*

Continued on the next page

***--23 State Office and Service Center Authorities (Continued)**

E**Limitations on
Inherent
Authorities**

SED must provide a State Office employee or FLM with written notification of any limitations on inherent authorities.

SED must limit inherent authorities of employees selected as DD, FLS, or FLM who have not completed required training.

F**Redelegating
SED Authorities**

SED's may:

- redelegate their loan approval authority to FLC, FLS, or DD
 - redelegate their authority to allow the use of a restricted appraisal report to the State appraisal staff
 - not redelegate their approval authority for any action that will result in a loss to the Government.
-

24 Delegating Appraisal Authority

A**General
Requirements**

Only SED's may delegate appraisal authority according to Exhibit 7, subparagraph A. SED's may delegate appraisal authority to FSA employees who have completed the required training and have the necessary experience.

B**Chattel
Appraisals**

SED may delegate chattel appraisal authority to employees who have completed the training requirements in subparagraph 145 A.

C**Real Estate
Appraisals
Involving
Transactions of
\$100,000 or Less**

SED may delegate authority to prepare real estate appraisals when the total credit transaction is less than \$100,000 to employees who have completed the training requirements in subparagraph 146 C.

D**Administrative
Appraisal
Reviews**

SED may delegate authority to complete administrative appraisal reviews to employees who have completed the training requirements in subparagraph 143 B.--*

25 Delegating Loan Approval Authority

**A
Receiving
Approval
Authority**

Employees must meet the following requirements to receive loan approval authority.

Employees selected for GS FLO positions and other GS employees, including DD's and FLS's, must:

- complete the formal FLO training program

Note: The FLO training program is designed to combine classroom type training and hands-on experience within a 1-year period. FLOT or other GS employee will work under the guidance of an experienced loan approval official.

- successfully complete the Credit and Financial Analysis Training course that is part of the formal FLO training program
- pass the FLP Training Program comprehensive test.
- FLOT's may or may not receive delegated FLP loan approval authorities *--during the training period. FLO's and FLOT's who have not been delegated loan approval authority will be rated as "Results not Achieved" for the--* GS-11 grade level * * *.
- FLM's and FLO's must submit a minimum of 5 independently prepared loan dockets that meet a credit quality level set by SED and FLC. The files submitted for review must be of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans and none may be youth loans.

Note: FLO's hired as CO employees after July 2, 1997, must meet all of the requirements in this subparagraph; however, loan approval authority will not be delegated.

Continued on the next page

***--25 Delegating Loan Approval Authority (Continued)**

A

**Receiving
Approval
Authority
(Continued)**

- DD's and FLS's must submit 3 independently prepared loan dockets, and 4 independently completed docket reviews which meet a credit quality level set by SED and FLC. The files submitted for review must be of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans and none may be youth loans.
 - DD's hired after January 1, 2000, have 1 calendar year from assuming the position of DD to complete the required training and all testing and an additional 6 months to be delegated loan making authority.
 - Any employee, other than DD, hired at a grade 11 or above must complete the FLP Training Program and obtain FLP loan approval authority within 12 months from accepting the position.
-

B

**Failure to
Receive Loan
Approval
Authority**

If an employee required to receive loan approval authority does not successfully meet the criteria in subparagraph A within the specified time frame, the supervisor must develop an Opportunity to Improve Plan or a Performance Improvement Plan, as appropriate, with the guidance of the trainer and Administrative Officer.--*

26 Delegating Loan Servicing Authority

A

Delegations to FLO

FLM may delegate loan servicing authorities to FLO as provided in Exhibit 7, subparagraph B. Loan servicing authorities shall not be delegated until FLO has successfully completed the FLO Training Program.

B

Delegations to PT

FLM may delegate loan servicing authorities to PT, who has the appropriate training and experience, as provided in Exhibit 7, subparagraph B.

C

Delegations to CED

16-AO, subparagraph 305 F addresses FLP responsibilities that may be performed by CED. Some of these responsibilities are listed in Exhibit 7 and, therefore, require a delegation of authority. SED may delegate these authorities to CED's who have:

- successfully completed the appropriate FLO training modules on loan--* making and loan servicing
 - submitted 2 loan servicing dockets that meet a credit quality level established by SED and FLC.
-

27 Maintaining Approval Authority

A

Employee Who Accepts New GS FLP Position

When a GS FLP employee with prior FLP loan approval and servicing authority accepts a new FLP position within the State, a new delegation of authority is not required.

Loan approval authority is automatically increased when the employee's grade increases, unless:

- SED issues a new delegation of authority limiting the authority
 - *--the original delegation of authority established limitations on approval authority.--*
-

B

FLM Who Accepted CED Position

FLM's who had loan approval authority and became CED's on or before September 23, 1997, will retain their approval authority unless revoked or revised according to subparagraph 22 C.

C

Hires With Prior Loan Approval Authority

Employees who held FLP loan approval authority for at least 1 year immediately before the selection to the new position, may submit a copy of the previous delegation letter, and a statement from the previous FLC, reflecting the quality of docket reviews based upon NIR guidelines.

This information shall be used to establish the:

- necessary actions for obtaining FLP loan approval in the new State
- number of dockets to be submitted in the new State to determine whether approval authority should be delegated to the employee.

New employees who did not hold FLP loan approval authority for at least 1 year immediately before the selection to the position, must submit the number of independently prepared loan dockets required under subparagraph 25 A. SED, in consultation with FLC, shall determine any training required for the employee to be delegated approval authority.

***--28 Establishing Credit Quality Standards**

A**Introduction**

After loan approval and servicing authority is granted, FLC's will continue to monitor the loan making and servicing activity of employees to ensure that loan making and servicing actions meet the established State credit quality standards.

B**Credit Quality
Reviews**

SED, after consulting with FLC, shall issue a State supplement establishing the method and standards for completing credit quality reviews. As a minimum, the credit quality reviews will follow NIR standards. The credit quality reviews will determine whether an employee's loan approval and/or servicing authority needs to be revised, limited, or revoked. An acceptable level of performance by the employee will be a score of at least 90 percent compliance based on the applicable NIR questions.

Notes: SED should take into consideration available staff and resources when developing the credit quality review process. SED and FLC may consider establishing a credit quality team in the State Office or using existing underwriting staffs, if resources are available. They may also want to consider establishing the process on a district or FLP team basis.

All employees completing credit quality reviews must have approval authority and a good background in loan making and servicing.--*

***--29 Maximum Loan Authorities**

A**OL, FO, and EM
Program Loan
Limitations**

Limitations on maximum loans amounts for OL, FO and EM loans are established in CONACT. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1999 (Pub. L. 105-277), amended the limitations applicable to guaranteed OL's and FO's by providing for an annual adjustment based on the rate of inflation applicable to the fiscal year.

[7 CFR 761.8 (a)] The outstanding principal balances for a farm loan applicant or anyone who will sign the promissory note cannot exceed the following:

(1) Farm Ownership loans, Beginning Farmer Down payment loans and Soil and Water loans:

(i) Direct--\$200,000;

(ii) Guaranteed--\$731,000 (Fiscal Year 2001);

(iii) Any combination of a direct Soil and Water loan, direct Farm Ownership loan, guaranteed Soil and Water loan, and guaranteed Farm Ownership loan--\$731,000 (Fiscal Year 2001);

(2) Operating loans:

(i) Direct--\$200,000

(ii) Guaranteed--\$731,000 (Fiscal Year 2001)

(iii) Any combination of a direct Operating loan and guaranteed Operating loan--\$731,000 (Fiscal Year 2001);

(3) Any combination of guaranteed Farm Ownership loan, guaranteed Soil and Water loan, and guaranteed Operating loan--\$731,000 (Fiscal Year 2001);

(4) Any combination of direct Farm Ownership loan, direct Soil and Water loan, direct Operating loan, guaranteed Farm Ownership loan, guaranteed Soil and Water loan, and guaranteed Operating loan--\$931,000 (Fiscal Year 2001);

(5) Emergency loans--\$500,000;

(6) Any combination of direct Farm Ownership loan, direct Soil and Water loan, direct Operating loan, guaranteed Farm Ownership loan, guaranteed Soil and Water loan, guaranteed Operating loan, and Emergency loan --\$1,431,000 (Fiscal Year 2001).--*

Continued on the next page

***--29 Maximum Loan Authorities (Continued)**

B**Adjustment for
Guaranteed
Loans**

[7 CFR 761.8 (b)] The dollar limits of guaranteed loans will be adjusted each fiscal year based on the percentage change in the Prices Paid by Farmers Index as compiled by the USDA, National Agricultural Statistics Service (NASS).

C**Line of Credit
Advances**

[7 CFR 761.8 (c)] The total dollar amount of guaranteed line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's cash flow budget, unless the cash flow budget is revised and continues to reflect a feasible plan.

A Standard Eligible Lender must obtain Agency approval before issuing future year's funds as provided in 2-FLP, subparagraph 265 C. Approval may be provided by any Agency official with loan approval authority, and is not subject to the maximum loan limits established in subparagraph D.

Note: Preferred Lender Program and Certified Lender Program lenders may provide future years' funds without prior Agency approval.--*

Continued on the next page

29 Maximum Loan Authorities (Continued)**D****Official Loan
Approval
Limitations for
OL, FO, and EM
Loans**

This table identifies the maximum loan approval authority for OL, FO, and EM loans by grade and title of loan approval officials at the time of loan closing. All loan approval limitations include the loan being made plus any outstanding principal balances owed by anyone who will sign the promissory note. A loan *--approval official cannot approve or reject a loan request that will exceed the official's approval authority at the time of loan closing. The official must--* forward the loan and recommendations to the appropriate loan approval official for action.

County Office employees who have loan approval authority may not exceed the authority of the equivalent grade FLO or FLM.

Type of Loan	FLO			FLM, DD, FLS or FLC	SED
	GS-7	GS-9	GS-11	GS-11/12/13	
Maximum Approval by Assistance Type - Limitation I					
Guaranteed OL	\$100,000	\$160,000	\$300,000	\$500,000	\$731,000
Direct OL	\$50,000	\$80,000	\$125,000	\$175,000	\$200,000
Guaranteed FO + SW	\$0	\$120,000	\$300,000	\$500,000	\$731,000
Direct FO + SW	\$0	\$80,000	\$100,000	\$175,000	\$200,000
Direct EM	\$50,000	\$100,000	\$150,000	\$300,000	\$500,000
Maximum Approval for Combined Assistance Types - Limitation II					
OL Total Direct & Guaranteed	\$100,000	\$160,000	\$300,000	\$500,000	\$731,000
FO + SW Total Direct and Guaranteed	\$0	\$120,000	\$300,000	\$500,000	\$731,000
Total Approval for Multiple Assistance Types - Limitation III					
OL + FO + SW Total Direct and Guaranteed	\$100,000	\$280,000	\$400,000	\$600,000	\$931,000
Total Guaranteed	\$100,000	\$280,000	\$400,000	\$600,000	\$731,000
Total Approval for FO, OL, and EM - Limitation IV					
OL + FO + SW + EM Total Direct and Guaranteed	\$100,000	\$280,000	\$400,000	\$600,000	\$1,431,000

Continued on the next page

29 Maximum Loan Authorities (Continued)

D**Official Loan
Approval
Limitations for
OL, FO, and EM
Loans
(Continued)**

Four loan approval criteria need to be considered when determining whether a loan is within a loan approval official's authority. Each loan approval decision must meet all applicable criteria. Approval limitation I establishes the maximum by assistance type. Approval limitation II establishes the maximum for combinations of direct and guaranteed by assistance type. Approval limitation III establishes the maximum for combinations of all direct and guaranteed assistance types, except EM. In addition, it provides total guaranteed assistance limits. Approval limitation IV establishes the maximum for combinations of all direct and guaranteed assistance types.

E**Official Loan
Approval
Limitations for
Special Apple
Loan Program
and Emergency
Loans for Seed
Producers**

The following table identifies the maximum loan approval authority for Special Apple Loan Program and Emergency Loans for Seed Producers by grade and title of loan approval officials.

Type of Loan	FLO			FLM, DD, FLS or FLC	SED
	GS-7	GS-9	GS-11	GS-11/12/13	
Special Apple Loan	\$50,000	\$100,000	\$150,000	\$200,000	\$200,000
Emergency Loan for Seed Producers	\$50,000	\$100,000	\$150,000	\$200,000	over \$200,000

Outstanding loan balances from other direct or guaranteed FLP loans will not affect the amount an applicant is eligible to receive under these programs or the amount a loan approval official is authorized to approve. * * * Any outstanding Special Apple Loan Program or Emergency Loan for Seed Producers loan balances will not affect the amount an applicant is eligible to receive under any other FLP loan program.

Continued on the next page

29 Maximum Loan Authorities (Continued)

--F*Official Loan
Approval
Limitations for
Non-Program
Loans**

The following table identifies the maximum loan approval authority for Non-Program loans by grade and title of loan approval officials.

Type of Loan	FLM GS-11/12	DD	SED
Real Estate	\$400,000	\$500,000	Any amount
Chattels	\$200,000	\$300,000	Any amount
Recreation Loans to Individuals	\$175,000	\$300,000	Any amount

Note: Approval authority for Recreation loans to individuals applies only to property that secured a Recreation loan to an individual or farming corporation, not a Recreation Association.

Outstanding loan balances from other direct or guaranteed FLP loans will not affect the amount an applicant is eligible to receive under Non-Program loans. Any outstanding Non-Program loan balances will not affect the amount an applicant is eligible to receive under any other FLP.--*

G**Limitations for
Loan Servicing
Actions**

Approval authority for certain loan servicing actions, such as subordinations, is limited to the approval official's maximum loan approval limitations, as specified in the applicable FLP directives. Approval officials who have not been delegated loan approval authority may not approve these loan servicing actions.

A servicing official cannot approve or reject a servicing request that exceeds the official's approval authority. The official must forward the servicing action and recommendations to the appropriate servicing official for action.

Exception: See RD Instruction 1956-B, Exhibit A for action on debt settlement applications that exceed the approval official's authority.

Note: SED authority to approve servicing actions is limited to \$1 million total EM indebtedness.

30-40 (Reserved)

Part 3 Miscellaneous Procedures and Systems

***--41 Nondiscrimination in FLP**

A**Federal Equal
Credit
Opportunity Act
(ECOA)**

FLP must comply with the provisions of ECOA and the implementing regulations of the Federal Reserve System published in 12 CFR 202.

[12 CFR 202.9(b)(1)] The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

B**USDA
Nondiscrimination
Policy**

[7 CFR 15d.2(a)] No Agency, officer, or employee of the United States Department of Agriculture shall, on the ground of race, color, religion, sex, age, national origin, marital status, familial status, sexual orientation, or disability, or because all or part of an individual's income is derived from any public assistance program, exclude from participation in, deny the benefits of, or subject to discrimination any person in the United States under any program or activity conducted by the United States Department of Agriculture.

[7 CFR 15d.2(b)] No person shall be subjected to reprisal for opposing any practice prohibited by this part or for filing a complaint or participating in any manner in a proceeding under this part.--*

Continued on the next page

41 Nondiscrimination in FLP (Continued)

C

Nondiscrimination Statement on Notice of Adverse Decision * * * Include the following nondiscrimination statement on all adverse decision letters.

* * *

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

USDA regulations prohibit discrimination in USDA programs because of your race, color, religion, sex, age, national origin, marital status, familial status, sexual orientation, disability; or because all or part of your income is derived from any public assistance program; or because you have filed a program complaint, participated in any program complaint proceeding, or opposed a prohibited practice.

If you believe that you have been discriminated against for any of the reasons stated above, you may file a complaint with the Director, Office of Civil Rights, United States Department of Agriculture, Room 326-W, Whitten Building, 1400 Independence Avenue, S.W. Washington, D.C. 20250-9410.

Continued on the next page

41 Nondiscrimination in FLP (Continued)

--D*Nondiscrimination Statement on Advertisement of Sale for Inventory Property**

Include the following nondiscrimination statement on advertisements announcing the sale of inventory property.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all of its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audio tape, etc.) should contact USDA's TARGET Center at (202)720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202)720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

When the dimensions of the advertisement will not permit, or it is cost-prohibitive to include the full statement, the following statement may be used in its place.

*The USDA Farm Service Agency is an equal opportunity lender and provider. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D.C. 20250-9410. --**

E**Nondiscrimination Statement on Materials for Public Distribution**

Departmental Regulation 4300-3, Equal Opportunity Public Notification Policy, requires that the following nondiscrimination statement be included on all materials produced for public information, public education, or public distribution, such as program fact sheets and brochures. The statement shall be in English and languages appropriate to the local population.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audio tape, etc.) should contact USDA's TARGET Center at (202)720-2600 (voice and TTD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202)720-5964 (voice and TTD). USDA is an equal opportunity provider and employer.

Continued on the next page

41 Nondiscrimination in FLP (Continued)

F**Discrimination
Complaints**

[7 CFR 15d.4(a)] Any person who believes that he or she (or any specific class of individuals) has been, or is being, subjected to practices prohibited by this part may file on his or her own, or through an authorized representative, a written complaint alleging such discrimination. No particular form of complaint is required. The written complaint must be filed within 180 days from the date the person knew or reasonably should have known of the alleged discrimination, unless the time is extended for good cause by the Director of the Office of Civil Rights or his or her designee. Any person who complains of discrimination under this part in any fashion shall be advised of his or her right to file a complaint as herein provided.

[7 CFR 15d. 4(b)] All complaints under this part should be filed with the Director of the Office of Civil Rights, United States Department of Agriculture, Washington, D.C. 20250, who will investigate the complaints. The Director of the Office of Civil Rights will make final determinations as to the merits of the complaints under this part and as to the corrective actions required to resolve program complainants. The complainant will be notified of the final determination on his or her complaint.

Note: If the borrower files a civil rights complaint with FLP personnel, they will immediately submit it to the Office of Civil Rights.

[7 CFR 15d.4(c)] Any complaint filed under this part alleging discrimination on the basis of disability will be processed under 7 CFR Part 15e.

Continued on the next page

41 Nondiscrimination in FLP (Continued)

G**Processing Loan
and Servicing
Applications
When an
Applicant Files a
Discrimination
Complaint**

Under no circumstances will FSA:

- delay the processing of a loan or servicing application pending the outcome of a filed discrimination complaint
- deny a loan or servicing request because a discrimination complaint has been filed
- accelerate or foreclose a loan before a discrimination complaint is closed.

Note: However, in cases referred to the Department of Justice for legal action before the discrimination complaint is filed, the Department of Justice will decide whether to proceed with the legal action or foreclosure.

If an applicant or borrower files, or has filed, a discrimination complaint against the official responsible for processing the loan or servicing application, DD or SED will assign a different official to process the request. Processing responsibility may be reassigned to:

- an authorized agency official from either of the following:
 - in the same district, but a different county
 - from another district
- DD.

***--Note:** Reassignment of processing loan or servicing applications is temporary. Once the investigation is closed, and it is determined that discrimination did not occur, the loan or servicing application will be returned to the appropriate office.--*

***--42 Appeals**

A**General
Requirements**

FLP loan applicants and borrowers have the right to request reconsideration, file appeals, and enter into ADR about adverse decisions according to 7 CFR Part 780 and 7 CFR Part 11. FSA's operating procedure is in 1-APP.

Exceptions: For adverse decisions on:

- loan servicing requests under FSA transferred Instruction 1951-S, use the appropriate exhibits and attachments to notify borrowers
- nonprogram loan borrowers, see FSA transferred Instruction 1951-J.

Note: Regulations published in 7 CFR are available on the GPO website at <http://www.access.gpo.gov/nara/cfr/index.html>.

B**Mandatory
Language for
Adverse Decision
Letters**

Mandatory language about reconsideration, appeal, and ADR, to be included in adverse decisions letters, is addressed in 1-APP. Additional guidance may be issued under the APP notice series.--*

Continued on the next page

***--42 Appeals (Continued)**

C**Adverse
Decisions
Involving
Appraisals**

Text on appraisal reviews provided in subparagraphs D and E will be added to the reconsideration language provided in 1-APP or APP notices, as applicable, when an adverse decision is based on real estate or chattel appraisal, except when either of the following applies:

- using FSA transferred Instruction 1951-S exhibits or attachments is required
- the appraisal in question was associated with or connected to, an FSA decision wherein appeal rights were previously offered and concluded.

Notes: Appraisals may only be reconsidered or appealed. Mediation is not available on real estate or chattel appraisals.

Refer to subparagraph 144:

- D for additional guidance about handling real estate independent technical appraisal reviews received from an applicant or borrower
- E for additional guidance about handling chattel independent appraisal reviews received from an applicant or borrower
- G for additional guidance when an applicant or borrower identifies errors in an appraisal.--*

Continued on the next page

***--42 Appeals (Continued)**

D**Real Estate
Appraisals**

The following text shall be added to the reconsideration paragraph in adverse decision letters involving a real estate appraisal.

You may request a copy of the real estate appraisal used in our decision. We will provide you with a copy within five days of your request. If you would like to discuss the appraisal, or you believe there are errors, including mathematical or property description errors in the appraisal, you should request reconsideration.

Independent Technical Appraisal Review

If you believe the real estate appraisal FSA obtained is incorrect for reasons other than those stated above, you may obtain an independent technical appraisal review. The issue under reconsideration will be whether FSA's real estate appraisal is consistent with the Uniform Standards of Professional Appraisal Practice. If you want this option, you must include a copy of the independent technical appraisal review, or notify this office of your intent to obtain an independent technical appraisal review, in your request for reconsideration. You must pay to obtain a current independent technical appraisal review from a qualified appraiser. The appraiser and the independent technical appraisal review must meet the standards contained in FSA regulations. You may request a copy of the regulations from this office. If you cannot find a qualified appraiser to conduct the independent technical appraisal review, a list of qualified appraisers is available in this office.

*If you do not submit an independent technical appraisal review or notify us of your intent to obtain one, you waive your right to have us reconsider the appraisal. If you submit an independent technical appraisal review, we will determine whether the appraiser and the independent technical appraisal review meet FSA requirements. If the independent technical appraisal review meets FSA requirements, we will consider all comments contained in the independent technical appraisal review and determine if the appraisal obtained by FSA should be revised.--**

Continued on the next page

42 Appeals (Continued)

E**Chattel
Appraisals**

The following text shall be added to the reconsideration paragraph in adverse decision letters involving a chattel appraisal.

You may request a copy of the chattel appraisal used in our decision. We will provide you with a copy within five days of your request. If you would like to discuss the appraisal, or you believe there are errors, including mathematical or property description errors in the appraisal, you should request reconsideration.

Independent Appraisal Review

If you believe the chattel appraisal FSA obtained is incorrect for reasons other than those stated above, you may obtain an independent appraisal review. The issue under reconsideration will be whether FSA's chattel appraisal is consistent with the present market value of like items in your area. If you want this option, you must include a copy of the independent appraisal review, or notify this office of your intent to obtain an independent appraisal review, in your request for reconsideration. You must pay to obtain a current independent appraisal review from a qualified appraiser. The appraiser and the appraisal review must meet standards contained in FSA regulations. You may request a copy of the regulations from this office. If you cannot find a qualified appraiser to conduct the independent appraisal review, a list of qualified appraisers is available in this office.

If you do not submit an independent appraisal review or notify us of your intent to obtain one, you waive your right to have us reconsider the appraisal. If you submit an independent appraisal review, we will determine whether the appraiser and the appraisal review meet FSA requirements. If the independent appraisal review meets FSA requirements, we will consider all comments contained in the independent appraisal review and determine if the appraisal obtained by FSA should be revised.

F**Nondiscrimination
Statement**

The nondiscrimination statement contained in subparagraph 41 C must be included in all adverse decision letters.

***--43 Debarment and Suspension**

A**Purpose**

[7 CFR 3017.100 (a)] A person who is debarred or suspended shall be excluded from Federal financial and non-financial assistance and benefits under Federal programs and activities. Debarment or suspension of a participant in a program by one agency shall have governmentwide effect.

Individuals and entities, other than loan recipients, who have been debarred or suspended from government procurement or nonprocurement programs cannot participate in transactions with FSA.

Note: This does not apply to individuals and entities entering into transactions with applicants and borrowers without FSA involvement.

B**Direct Loan
Making**

Loan approval officials shall check the debarment and suspension list before providing RD 1927-19 or RD 1927-20, as appropriate, to attorneys, title companies, title insurance companies, or closing agents conducting loan closing activities.

Notes: Loan approval officials may obtain reports containing debarment and suspension lists from the Internet at <http://epls.arnet.gov>. When prompted, enter the user's name and read and accept the Privacy Act terms and conditions. After accepting the terms and conditions, access will be granted to view, download, or print the available Excluded Parties List System reports.

If the attorney, title company, title insurance company, or closing agent selected is debarred or suspended, the applicant must make a new selection.--*

Continued on the next page

***--43 Debarment and Suspension (Continued)**

C

**Guaranteed
Loan Making**

SED shall review CLP and PLP lenders and their officers and agents for debarment or suspension as follows:

- before submission to DAFLP for approval to obtain status
- during the annual review of lender's status according to 2-FLP, paragraph 267.

Loan approval officials shall review SEL's and their officers and agents before issuing FSA-1980-15.

D

**Causes for
Debarment or
Suspension**

The causes for initiating and the actions required to initiate debarment or suspension are in 7 CFR Part 3017, Subparts C and D.

E

Exceptions

The Administrator or designee may grant a written exception permitting a debarred or suspended person or entity to participate in a covered transaction according to 7 CFR 3017.215.--*

44-51 (Reserved)

52 Automated Discrepancy Processing System

**A
Purpose**

ADPS is a terminal application system that allows users to process FLP accounting transactions and view borrower or acquired property information. ADPS connects users located at State and County Offices to the Finance Office. Authorized users can access this system with a System 36 (or 3B2) computer terminal. Authorized users shall enter and use information in ADPS for both loan making and loan servicing purposes.

**B
Overview**

ADPS is used to:

manuscript transactions and analyze and correct transactions rejected from updates (discrepancies)

view a borrower's loan status information, which lists the following:

unpaid balances of existing direct and/or guaranteed loans along with basic information about each loan

cross-reference data from throughout the nation

detailed history of transactions

view guaranteed loan account information and lender cross-reference data

route selected ADPS-manuscripted or discrepancy transactions that have to be processed by the Finance Office using special routing codes

create a transaction suspense file for transactions awaiting the processing of other actions

code transactions for automatic update, eliminating the need to take any further action to process the transactions

view received, processed, and corrected payment activity

view guaranteed interest assistance rate averaging information

calculate interest assistance and view the results of the calculations

view acquired property information and detailed history of transactions processed for an acquired property.

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

C**ADPS Assistance**

ADPS Online Help is:

- a computer-based system that provides ADPS processing information in the form of online reference material (Reference) and Pop-Up Windows
- accessed from the terminal screen.

Reference provides general information about ADPS transactions, definitions, and code values for all short descriptions and mnemonics on transaction detail screens and status screens, discrepancy code definitions, and corrective actions. Pop-Up Windows provide information for pre-manuscripting validations and manuscript transactions.

For detailed information about ADPS Online Help, refer to the ADPS Online Help User Guide, dated September 1996, which can be obtained by sending a request to the following.

USDA FSA
ATTN ADPS
MAIL CODE 533
PO BOX 200003
ST LOUIS MO 63120-0003

The ADPS System Operating Instructions and Supplemental Information for Online Help Manual, dated May 1996, is updated by the Finance Office. Manual updates are distributed to County Offices.

For information on ADPS, contact the State Office Automation Coordinator or, if authorized, the Help Desk at 1-800-457-3642. The Help Desk provides information, guidance, and technical assistance in resolving problems related to ADPS operations.

D**Requesting Changes
to the User
Documentation**

To initiate a change to the user documentation, submit FmHA 2006-21 to the following.

USDA RURAL DEVELOPMENT
USER DOCUMENTATION STAFF
MAIL CODE 421
1520 MARKET STREET
ST LOUIS MO 63103

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

**E
Maintaining
Program Records**

If an ADPS transaction does not have a related input document or authorizing form, such as a check request or name and address change form, Service Centers shall generate a printout of the completed input screen. The approving official or delegate must sign and date the printout.

When routing or mailing transactions to the Finance Office, the Authorized Agency Official must retain the original documents, screen printouts, and transmittal letters. These will be filed in the case folder after verifying that the transaction has been processed.

Screen printouts must be retained in position 2 of the case folder according to 25-AS retention requirements for the folder and its entire contents.

Each workday, users must access ADPS to determine the transactions that have been processed or rejected. Users must file processed transaction screens, correct discrepancies, and annotate the related source/input document with the corrected information. Users must generate screen printouts of all corrections and file them with the original input document.

**F
OK to Apply Codes**

OK to Apply Codes are used to process a transaction or correct a discrepancy as required by the online assistance for processing transactions. The user shall file a copy of the screen printout to verify the use of an OK to Apply Code. Screen printouts will be retained in the case folder according to 25-AS retention requirements for the folder and its entire contents.

**G
Processing Schedule**

Users must process transactions within 10 calendar days of the effective date. If a discrepancy occurs, the transaction must be corrected within 5 calendar days of the initial rejection date. An additional 15 calendar days are allowed for correcting discrepancies with a suspend code on the borrower account. An exception to this standard is allowed for TC 8M. Limited resource reviews performed during the month must be processed by the 5th calendar day of the following month to be considered timely.

Continued on the next page

52 Automated Discrepancy Processing System (Continued)**H****State Office Action**

State Offices shall monitor the use of OK to Apply Codes using FOCUS Discrepancy Report DS-04, "Use of OK to Apply Codes". This report should be reviewed annually to ensure that OK to Apply Codes are being used properly and not in excess. Borrower case files should be reviewed on TC's 1A, 1B, 1G, and 1M.

State Offices should monitor the timely processing of transactions by using FOCUS Discrepancy Reports DS-03, "Report of Manuscripted Transactions by Jurisdiction Code, Transaction Code, and Borrower Case Number", and DS-01, "Aging of Discrepancies in Field Office Jurisdictions".

A rating of less than 80 percent of the jurisdictional transactions filed timely is unacceptable. SED shall ensure timely initial processing and that a County Office is at an acceptable level by:

training at least 2 employees to process transactions

requiring loan closing agents to return documents the day of loan closing

processing transactions as of the effective date or the next workday thereafter

using Action Pending Codes from Online Help when necessary to delay initial processing or make discrepancy corrections.

I**ADPS TC's and Titles**

ADPS TC's and titles are listed in this table.

TC	Title
1A	Insured Loan or Grant - Obligation Only
1A	Guaranteed Loan - Obligation Only
1B	Loan/Grant - Obligation With Check Request
1C	Check Request
1D	Cancellation of Loan/Grant - Obligation Only
1E*	Check Cancellation - Obligation Retained

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

I
ADPS TC's
and Titles
(Continued)

TC	Title
1F	Loan Closing
1G	Credit Sale
1H	Cash Sale/Transfer - Acquired Property
1I	Judgment Cost
1J*	Cancellation of Loan and/or Check
1K*	Nonrecoverable Cost
1L/L1	Recoverable Loan Cost
1M	New Rates and Terms - Real Estate/Operating Loan
1O*	Natural Resource Conservation Service Advance
1P*	Insurance Charge
1R*	Default Charge
1S	Lease of Real Property
1T	Correction of Statistical Information
1W*	Loan Charge Adjustment
1X	Acquired Property Cost
1Y*	Loan/Grant Cancellation - Obligation and Check
2A*	Field Office Cash Collection - Initial Update
2B*	Field Office Cash Collection - Subsequent Update
2C*	Cash Uncollectible - Field Office Payment

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

I
ADPS TC's
and Titles
(Continued)

TC	Title
2E*	Cash Collection - Acquired Property or Lease Payment
2F*	Reversal and Reapplication of Payment - Same Borrower
2R*	Cash Collection Refund
2U*	Reversal and Reapplication of Payment - Different Borrower
2W*	Cash Uncollectible - Direct Payment
2X*	Direct Payment Cash Collection - Initial Update
2Y*	Direct Payment Cash Collection - Subsequent Update
2Z*	Reapplication - Correct Payment Type
3B	Notice of Judgment
3C*	Default Credit
3E	Acquisition - Property
3F*	Employee Defalcation
3G	Noncash Credit - Administrative Adjustment
3H*	Noncash Credit - Conservation Contract
3K	Debt Settlement
3L	Writeoff Lease Account
3N*	Noncash Application - Assumption Agreement
3O	Equity Receivable Amortization - Shared Appreciation Loan
3P*	Noncash Credit - 3 rd Party Judgment

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

I
ADPS TC's
and Titles
(Continued)

TC	Title
3Q	Net Recovery Buyout/SFH Equity Recapture
3R	Shared Appreciation Writedown
3T	Notice of 3 rd Party Judgment
3V	Equity Receivable
3Y	Acquired Property - Conservation Easement
4A	Change in Case Number and Loan Number
4B	Change in ZIP Code
4C	Change in Name and Address
4D	Change in Case Number, Name, and Address
4E*	Replacement of Interim Instruments - Amortized/Bond Accounts
4F*	Change in Loan Number
4G*	Assumption Agreement - Same Rates and Terms
4J*	Focal Interest Adjustment
4K*	Reopen Closed Property/Lease Account
4K/K4	Reopen Closed Borrower/Holder/Equity Account - Establish Settlement Code
4L*	Correction of Annual Installments
4M*	Maturing of Account
4N*	Acceleration of a Borrower Account
4O*	Deceleration of a Borrower Account

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

I
ADPS TC's
and Titles
(Continued)

TC	Title
4P*	Schedule Status Adjustment
4Q*	Loan Bond Installments
4R*	Adjustment of Bond Installments
4S*	Miscellaneous Adjustments
4U*	Reestablish Loan Account - Name and Address
4X	Direct Payment Plan Change
5A	Case Reclassification - Collection Only to Active
5B	Case Reclassification - Active to Collection Only
5C*	Change in Kind Code
5D	Change in Veteran Status - to Veteran
5E*	Establish Suspend Code
5F	Remove Suspend Code
5G	Establish Descriptive Code
5H	Remove Descriptive Code
5J	Change Purchase Code
5K	Change in Veteran Status - to Nonveteran
5L	Acquired Property Maintenance
5M	Change in Race/Type of Applicant/Collateral/Acceleration Date/Training Code and Dates
5N	Change in Statistical Codes
5Q*	Correction of Association/Bond/Document/Payment Code
5R*	File Adjustment

Continued on the next page

52 Automated Discrepancy Processing System (Continued)

I
ADPS TC's
and Titles
(Continued)

TC	Title
5S*	Record Debt Set-Aside
5S	Record Installment Set-Aside
5T*	Reverse Debt Set-Aside
5T	Reverse/Cancel Installment Set-Aside
5W	Record/Reverse Loan Deferral
5X*	Reverse Loan Deferral Expiration/Cancellation
5Y	Record Loan Deferral Expiration/Cancellation
8H*	Split/Combine Loans - Account Status
8M	Limited Resource Loan Review
8N	Record Borrower/Loan Classification Data
8P	Acquired Property - Subdivision
8R	Interest Rate Adjustment
9E	Suspend Code - Acquired Property
9G	Change in Borrower/Property Mail Code
GA(4030)	Guaranteed Loan Closing Report
GB(4031)	Request Interest Assistance/Interest Rate Buydown/Subsidy Payment to Guaranteed Loan Lender
HA(4930)*	Reverse a Guaranteed Loan Closing Report
HB(4931)*	Reverse/Adjust a Subsidy Payment to Guaranteed Loan Lender

Note: The asterisk (*) denotes transactions processed by the Finance Office only.

53-80 (Reserved)

Parts 4 and 5 (Reserved)

81-140 (Reserved)

141 General Appraisal Requirements

A**Scope**

[7 CFR 761.7(a)] This section describes the requirements for:

- (1) real estate and chattel appraisals made in connection with the making and servicing of direct Farm Loan Programs loans and nonprogram loans**
 - (2) appraisal reviews conducted on appraisals made in connection with the making and servicing of direct and guaranteed Farm Loan Programs and nonprogram loans.**
-

B**Purpose**

FSA uses appraisals to determine the value of real and personal property or other security pledged or to be pledged to support direct loans and loan servicing actions. FSA requires a lender to obtain an appraisal in certain guaranteed loan making and loan servicing cases.

Appraisals are an integral part of the loan evaluation and servicing processes to determine whether there is adequate security to support a loan or servicing action.

C**USPAP Compliance**

[7 CFR 761.7(c)(1)] Real estate appraisals, technical appraisal reviews of real estate appraisals, and their respective forms must comply with the standards contained in USPAP, as well as applicable Agency regulations and procedures for the specific Farm Loan Program activity involved. A current copy of USPAP along with other applicable appraisal procedures and regulations is available for review in each Agency State Office.

A current copy of USPAP may also be ordered from either of the following:

- <http://www.appraisalfoundation.org>
- Appraisal Foundation
P.O. Box 96734
Washington, DC 20090-6734.

To comply with OMB Circular No. A-129, the employee making a real estate appraisal may not approve any action in which the real estate appraisal was used, including loan approval or any servicing action.

Continued on the next page

141 General Appraisal Requirements (Continued)

D**Appraisal Costs**

FSA is responsible for the costs of obtaining an appraisal associated with direct loan making and loan servicing activities, except for appeal and negotiation of appraisals. For information on FSA appraisal costs and payments, refer to Part 7.

The applicant or borrower is responsible for costs associated with appealing FSA appraisals. Refer to paragraph 144 for information on appraisal appeals.

E**Obtaining Appraisals**

A chattel appraisal may be conducted by either an FSA employee who has been
--delegated chattel appraisal authority from SED or a contract appraiser.--

A real estate appraisal may be conducted by either an FSA employee or contract appraiser, subject to the following:

- for all direct credit transactions equal to or over \$100,000, the appraisal must be completed by a contract appraiser, or an FSA full-time or part-time designated appraiser/reviewer
- for all direct credit transactions under \$100,000:
 - an appraisal of noncomplex property may be completed by a licensed or certified general contract appraiser, a full-time or part-time designated appraiser/reviewer, or an FSA limited authority appraiser
 - an appraisal of complex property must be completed by a certified general contract appraiser or an FSA full-time or part-time appraiser/reviewer.

Note: A credit transaction includes any existing debt secured by real estate and any proposed loans, subordinations, prior liens, or guarantees.

SED shall issue a State supplement providing guidance on the process to request:

- a chattel appraisal from a contract appraiser
- a real estate appraisal.

*--FSA offices shall release information necessary to complete real estate appraisals to FSA employees and contractors completing appraisals for FLP loan making and servicing actions.

Note: Contractors must show a copy of the FSA work order before any information will be released.--*

Continued on the next page

141 General Appraisal Requirements (Continued)

F**Using Third-Party Appraisals**

FSA may use a real estate appraisal completed by a third party for users other than FSA, provided the appraisal:

- *--was prepared by an appraiser who was directly engaged by a federally regulated financial institution
- has been revised to reflect FSA as the intended user, and the appraiser has no direct or indirect interest, financial or otherwise, in the property or the transaction

reflects the purpose and intended use needed for FSA purposes--*

- has been technically reviewed by a designated FSA appraiser/reviewer for compliance with USPAP and meets FSA's needs

must specifically include, as part of the appraised value of the real estate, the rights to mining products, gravel, oil, gas, coal, or other minerals that will be considered as a portion of the security.

G**Using an Existing Appraisal**

[7 CFR 761.7(d)] The Agency may use an existing real estate appraisal to reach loan making or servicing decisions under either of the following conditions:

- (1) the appraisal was completed within the previous 12 months and the Agency determines that:**
 - (i) the appraisal meets provisions of this section and applicable Agency loan making and servicing requirements, and**
 - (ii) current market values have remained stable since the appraisal was completed; or**
 - (2) the appraisal was not completed in the previous 12 months, but has been updated by the appraiser or appraisal firm that completed the appraisal and both the update and original appraisal were completed in accordance with USPAP.**
-

H**Contracts for Appraisal Services**

Contracts for obtaining real estate or chattel appraisals shall be established according to Part 7.

142 Appraisal Reports

A**Chattel
Appraisals**

[7 CFR 761.7(c)(2)] An appraisal of chattel property may be completed on an applicable Agency form (available in each Agency State Office) or other format containing the same information.

FSA may use RD-440-21. If RD-440-21 is not used, the chattel appraisal, as a minimum, will identify all chattel items appraised, including the following details:

- the quantity, kind, sex, breed, color, weight or average weight, brands or other identification, and value of livestock

the quantity, kind, manufacturer, size and type, condition, year of manufacture, serial or motor number, and value of machinery and other equipment.

The chattel appraisal also must provide information on how the values were determined.

B**Real Estate
Appraisals**

A real estate appraisal, as a minimum, will be a complete or limited appraisal, summary appraisal report as defined by USPAP. Any exception to allow the use of a restricted report would need prior written approval by SED. SED may redelegate this authority to the State appraisal staff. Approval of restricted reports will only be granted under extraordinary circumstances, limited to situations where there will be only a single user of the report.

Real estate appraisals must include, as a minimum, the following details:

- documentation of the results of the following 3 approaches to estimating value, except as provided in the departure rule of USPAP:
 - sales comparison approach
 - cost approach
 - income approach

if adjustments are made, the basis for these adjustments, including land mix, time, water, buildings, depreciation, soils, and any other applicable adjustments
--recognized by the market and supported by adequate documentation in the appraisal--

Continued on the next page

142 Appraisal Reports (Continued)

B**Real Estate
Appraisals
(Continued)**

- the comparable sales used, including a breakdown of land contribution by land class, building contribution by improvement, derived depreciation rates, basis for the cost of new improvements, remaining life of improvements, timber, mineral value, water rights and volume, water delivery system, photographs of improvements and land, etc.

the value of any mineral rights.

C**Approved
Appraisal
Formats**

Any appraisal format that meets USPAP requirements is acceptable.

FSA has available formats that may be used along with additional documentation to meet USPAP requirements:

- FSA 1922-1, Appraisal Report - Farm Tract
 - FSA 1922-2, Supplemental Report
 - FSA 1922-9, Real Estate Sales Data
 - FSA 1922-10, Appraiser's Worksheet - Farm Tracts - Study of Comparable Properties
 - FSA 1922-11, Appraisal for Mineral Rights.
-

D**Real Estate
Appraisal
Software**

FSA has appraisal software available for full-time and part-time appraisers/reviewers. To obtain a copy of the software, or if there are questions about the software, contact the Appraisal Software Coordinator at 202-720-3647 or at the following address.

USDA FSA PDEED STOP 0521
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0521

--143 FSA Review of Appraisal Reports--

A**Overview**

[7 CFR 761.7(e)(1)] With respect to a real estate appraisal, the Agency may conduct a technical appraisal review or an administrative appraisal review, or both.

[7 CFR 761.7(e)(2)] With respect to a chattel appraisal, the Agency may conduct an administrative appraisal review.

Real estate appraisals used for any direct or guaranteed FLP loan making or servicing purpose are subject to a technical appraisal review or an administrative appraisal review by FSA for compliance with applicable FSA regulations and procedures.

B**Administrative Appraisal Reviews**

Administrative appraisal reviews are conducted by FSA employees, other than an FSA full-time or part-time State-designated appraiser/reviewer, delegated the responsibility by SED. Employees must have received training on completing appraisal reviews according to USPAP AO-6 before receiving this delegation.

An administrative appraisal review is performed as a due diligence function in the context of a loan making or loan servicing decision and ensuring compliance with organizational requirements. After the administrative appraisal review, the appraisal user will be in a position to understand the strengths and weaknesses of the information in the report. An administrative appraisal review is completed to verify that the:

- correct property was appraised
- math is correct
- appraisal is logical and understandable
- appraisal complies with FSA contracting requirements.

Note: An administrative appraisal review does not include a determination of compliance with USPAP.

The administrative reviewer will refer to the State appraisal staff any areas of concern or problems detected. An administrative reviewer may not express a *--different opinion of value and may not certify to the type and extent of--* review.

The administrative appraisal review is completed for farm properties on FSA 1922-16 and for residential properties on RD 1922-15, or in any other format containing, at a minimum, the same information.

Continued on the next page

--143 FSA Review of Appraisal Reports (Continued)--

C**When
Administrative
Appraisal
Reviews May Be
Conducted**

FSA shall complete an administrative appraisal review:

- within 7 workdays of receipt of a contracted appraisal obtained for any direct loan purpose
 - on 20 percent of appraisals obtained during each FY by Certified Lender Program and Preferred Lender Program lenders for any guaranteed loan purpose
 - on * * * all appraisals obtained during each FY by standard eligible lenders for any guaranteed loan purpose
 - of chattel and real estate appraisals completed by FSA employees, as determined by SED.
-

D**Technical
Appraisal
Reviews
Overview**

A technical appraisal review:

- *--is performed to form an opinion as to whether the analysis, opinions, and conclusions contained in an appraisal report prepared by another appraiser are appropriate and reasonable--*
- must be completed by an FSA full-time or part-time State-designated appraiser/reviewer who will determine whether the appraisal is in compliance with USPAP Standards 1 and 2.

All technical appraisal reviews are conducted in compliance with the guidelines and *--recommendations of USPAP Standard 3. The appraiser/reviewer must certify as to the type and extent of the review process. A technical appraisal review may include either a desk review, a field review, or both. The appraiser/reviewer--* may express a different opinion of value from the appraiser, only after complying with USPAP Standards 1 and 2. * * *

A technical desk review:

- is an analysis of the material presented in the appraisal report as to the adequacy of the documentation of the final value estimate
 - may reveal concerns, such as math errors, discrepancies of legal descriptions, comparable sales used that are not recent or similar to the subject property, failure to give value consideration to all items located on the subject property, and failure to address the condition of the subject and comparable sales.
-

--143 FSA Review of Appraisal Reports (Continued)--

D**Technical
Appraisal
Reviews
Overview
(Continued)**

A technical field review involves an examination of all aspects of making the appraisal, including a mental reappraisal of the subject property. All information contained in the appraisal report is verified, inspected, and researched. Other information, such as other comparable sales, not included in the report may be addressed.

Problems or areas of concern detected during the technical appraisal review will be referred to the appraiser who conducted the appraisal.

A technical appraisal review is completed for farm properties on FSA 1922-5 and for residential properties on FmHA 1922-14, or any format that provides at least the information contained in the appropriate Agency form and the required certification under USPAP Standard 3.

E**When Technical
Appraisal
Reviews May Be
Conducted**

FSA completes a technical appraisal review:

- of the first 2 direct loan appraisals completed by a contract appraiser with whom FSA has had no appraisal experience within the past 2 FY's
- at least once per FY for direct loan contract appraisers and guaranteed lenders' appraisers who have previous FSA appraisal experience
- of a direct or guaranteed loan appraisal when an administrative review detects serious problems
- on all third party appraisals
- of appraisals conducted by both contractors and FSA employees in a random "spot check" method that is established by SED

Note: Each year, SED will vary the approach used to select appraisals for review to ensure that adequate internal controls are established.

- on a more frequent basis if problems have been detected in the scheduled annual and "spot check" reviews
 - upon request of the loan approval official any time before loan approval.
-

Continued on the next page

--143 FSA Review of Appraisal Reports (Continued)--

**F
Recordkeeping
and Internal
Management
Controls**

Each State must maintain a recordkeeping system and internal management controls to ensure that all administrative, technical, and field reviews and compliance activities are accomplished.

The recordkeeping system must include a list of the following:

- contract appraisers

Note: Along with the list of contract appraisers, the State must maintain a list of all appraisals ordered from each contract appraiser, the type of appraisal ordered (chattel or real estate), and the type of review completed for each contract appraisal.

- current FSA appraisers

Note: Along with the list of current FSA appraisers, the State must maintain a list of all real estate appraisals performed by each FSA appraiser, the type of appraisal performed, and a list of all completed real estate appraisal reviews.

- FSA part-time State-designated appraisers and FSA employees delegated administrative review authority.
-

***--G
USPAP
Records
Retention**

USPAP requires that appraisers retain documentation about appraisal reviews and technical appraisal reviews they conduct for whichever of the following is longer:

- 5 years from date of completion
- 2 years from the date all appeals and litigation about the appraisal are concluded.

SED's shall provide adequate storage space to staff appraisers for the duration of the required documentation retention period.--*

144 Appeals of Decisions Based on Appraisals

A

Scope

*--This paragraph provides general information on appealing a direct loanmaking or loan servicing decision based on an appraisal. For additional information on appeals, refer to paragraph 42 and 1-APP.

B

When a Decision Based on an Appraisal May Be Appealed

An applicant or borrower may appeal any adverse decision based on an FSA appraisal. However, when the appraisal was obtained in connection with a--* request for primary loan servicing and negotiation of appraisal has been completed according to §1951.909(i)(4) of FSA transferred Instruction 1951-S, the negotiated value is not appealable.

C

Appeals

If the appellant:

- *--chooses to challenge the appraisal obtained by FSA, the issue on appeal will--* be whether FSA's appraisal is consistent with USPAP and the appellant may provide an independent technical appraisal review of FSA's appraisal
- is being serviced under FSA transferred Instruction 1951-S, the appeal challenging FSA's appraisal may include the appellant's independent appraisal according to §1951.909(i)(3).

*--**Notes:** A homestead protection lease is serviced under §1951.911(b)(6) and §1951.909(b)(7)(ii) of FSA transferred Instruction 1951-S. The applicant has the right to select an independent appraiser from a list of appraisers provided by the Authorized Agency Official. The issue on appeal will be whether FSA's appraisal is consistent with USPAP and the appellant may only provide an independent technical appraisal review of FSA's appraisal. The applicant does not have the right to provide a second independent appraisal for consideration or negotiation of the appraisal.

Leaseback/buyback is no longer addressed in FSA transferred Instruction 1951-S. Therefore, if the appellant is exercising their right to purchase inventory property at the conclusion of a leaseback/buyback lease, the issue on appeal will be whether FSA's appraisal is consistent with USPAP and the appellant may only provide an independent technical appraisal review of FSA's appraisal.--*

Continued on the next page

144 Appeals of Decisions Based on Appraisals (Continued)

D

*--Real Estate Independent Technical Appraisal Review

An independent technical appraisal review:

- is performed to determine whether the analysis, opinions, and conclusions in the appraisal report obtained by FSA are appropriate and reasonable
- may include either a desk review, field review, or both.

Note: The appraiser conducting the technical appraisal review must certify as to the type and extent of the review process.

At the appellant's request, the Authorized Agency Official shall provide a list of State-certified general appraisers. The appellant may select an appraiser from the list or retain any other State-certified general appraiser to conduct an independent technical appraisal review according to USPAP Standard 3. The appellant must pay the cost of the independent technical appraisal review.

The Authorized Agency Official shall forward any independent technical appraisal review received from the appellant, along with a copy of the appraisal, to the State appraisal staff to be reviewed by a full-time or part-time appraiser/reviewer. The State appraisal staff will notify the Authorized Agency Official of the final decision about the independent technical appraisal review and the final appraised value. The Authorized Agency Official will notify the appellant of the outcome of reconsideration according to 1-APP.

E

Chattel Independent Appraisal Review

An independent appraisal review is performed to determine whether the analysis, opinions, and conclusions in the appraisal report obtained by FSA are appropriate and reasonable.

The Authorized Agency Official shall forward any independent appraisal review received from the appellant, along with a copy of the appraisal, to the State Office to be reviewed. FLC will request a review by an employee delegated the authority to perform independent appraisal reviews. Upon completing the review, FLC will notify the Authorized Agency Official of the final decision about the independent appraisal review and the final appraised value. The Authorized Agency Official will notify the appellant of the outcome of reconsideration according to 1-APP.--*

Continued on the next page

144 Appeals of Decisions Based on Appraisals (Continued)

F

--Releasing FSA Appraisal Reviews--

Technical appraisal reviews or administrative appraisal reviews performed by an FSA employee **before** an FSA decision are part of the agency record and must be submitted to NAD as part of the appeal process.

Technical appraisal reviews or administrative appraisal reviews performed by an FSA employee **after** an FSA decision are not part of the agency record and would not be releasable except under a subpoena from NAD according to 7 CFR §11.8(a) and only after any information prohibited from disclosure by the Privacy Act or other law is deleted.

G

Errors Identified in an Appraisal

If either the Authorized Agency Official or borrower discovers any mathematical or property description errors in the appraisal, the discrepancies must be reported to SED or State appraisal staff. State appraisal staff shall review the nature of the discrepancy and make a determination to:

- contact the appraiser to correct the appraisal
- determine that the discrepancies are not material to the final value determined in the appraisal report.

The appraiser may make corrections to the appraisal up until the time the appeal hearing begins or as a result of the appeal hearing.

145 Appraiser Qualifications

A**Chattel
Appraisals**

An FSA employee delegated chattel appraisal authority from SED, or a contractor hired to complete chattel appraisals, must:

- have recent documented experience in appraising similar chattel items
 - demonstrate, to SED's or designee's satisfaction, sufficient experience and training to establish market values of chattel property.
-

B**Real Estate
Contract
Appraisers**

Real estate contract appraisers must be State-certified general appraisers in the State in which the property to be appraised is located.

C**Full-Time and
Part-Time FSA
Real Estate
Appraisers/
Reviewers**

A full-time appraiser/reviewer is an FSA employee who is responsible only for real estate appraisals and technical real estate appraisal reviews, and who has or is fulfilling the training requirements in paragraph 146.

A part-time appraiser/reviewer is an FSA employee who has significant responsibilities for real estate appraisal and technical real estate appraisal reviews, but has other FSA program responsibilities as well, and who has or is fulfilling the training requirements in paragraph 146.

Both full-time and part-time appraisers/reviewers must be a State-certified general appraiser or obtain State-certified general appraiser status within 3 years of being designated as an appraiser/reviewer.

D**FSA Limited
Authority Real
Estate
Appraisers**

An FSA limited authority appraiser is an employee who is primarily responsible for the administration of FSA programs, but has been delegated limited authority to perform real estate appraisals when the total credit transaction is less than \$100,000, as described in subparagraph 141 E.

FSA limited authority appraisers are not:

- required to obtain State-certified general appraiser status
 - authorized to complete technical real estate appraisal reviews.
-

146 Appraiser Training Requirements

A**Obtaining
State-Certified
General Appraiser
Status**

Both full-time and part-time FSA appraisers/reviewers must acquire State-certified general appraiser status within 3 years from being designated as an appraiser/ reviewer. To acquire this status, the appraiser/reviewer must complete the following categories, at a minimum.

Category	Description
1	126 credit hours of training, of which a majority must concentrate in farm real estate-related courses, in: <ul style="list-style-type: none"> • sales comparison approach • cost approach • income approach.
2	16 credit hours of training in USPAP.
3	24 credit hours of training in narrative report writing.
4	A minimum of 40 credit hours of technical appraisal review.

Required courses may be taken from approved institutions, such as:

- colleges or universities
- community or junior colleges
- real estate appraisal or real estate-related organizations
- State or Federal agencies or commissions
- proprietary schools
- other providers approved by the State certification licensing agency.

The appraiser/reviewer, with supervisor approval, should select courses accredited by the State Appraisal Board and meet required general course guidelines and directions.

In addition, the appraiser/reviewer must meet State experience requirements for obtaining a State-certified general license.

Continued on the next page

146 Appraiser Training Requirements (Continued)

A**Obtaining
State-Certified
General Appraiser
Status (Continued)**

If a designated appraiser/reviewer cannot acquire State-certified general appraiser status within the required 3 years because of State requirements, SED or Farm Loan Chief must request an extension from the National Office for the appraiser/ reviewer to complete the requirements. The request should be submitted to the following.

APPRAISAL TRAINING EDUCATION
USDA FSA DAFLP PDEED STOP 0521
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0521

B**Maintaining State-
Certified General
Appraiser Status**

Full-time and part-time appraisers/reviewers are required to maintain their State-certified general appraiser status by completing continuing education courses according to the standards established by the State Appraisal Board.

These courses must be:

- taken from approved institutions
- accredited by the State Appraisal Board.

The appraiser/reviewer, with supervisor approval, should select the continuing education course topics.

The costs associated with completing continuing education courses must be paid by the State.

Continued on the next page

146 Appraiser Training Requirements (Continued)

C**Training
Requirements for
FSA-Limited
Authority Appraisers**

SED or full-time appraisers/reviewers shall establish the minimum training needs for FSA-limited authority appraisers.

The training must ensure satisfaction of the following:

- ethics
- competency
- departure rule
- jurisdictional exception rule
- USPAP Standards 1 and 2
- appropriate FSA appraisal requirements.

Full-time or part-time appraisers/reviewers shall provide in-house or on-the-job training to FSA-limited authority appraisers.

D**Payment of Training
Fees**

SED's are responsible for maintaining adequate training funds to pay for training FSA full-time State-designated appraisers/reviewers. By August 1 of each year, each SED must request from the National Office, in writing, appraisal training funds for the following FY. The request must include the following:

- names of individuals to receive training
- date hired into position
- dates and course names to be taken in the coming FY
- category in which courses apply
- course hours accredited by the State Appraisal Board for each course.

SED must complete and submit Report FLP1 on FSA 1922-17, which lists all appraisal education courses completed by name and category, at the end of the 2nd and 4th quarters of each FY.

Continued on the next page

146 Appraiser Training Requirements (Continued)

D**Payment of Training Fees (Continued)**

SED must mail the request for training funds and FSA 1922-17 to the following.

APPRAISAL TRAINING FUNDING
 USDA FSA DAFLP PDEED STOP 0521
 1400 INDEPENDENCE AVE SW
 WASHINGTON DC 20250-0521

Upon successful completion of the required education, experience, and receipt of State-certified general appraiser status, FSA shall award a certificate of training to the appraiser/reviewer.

FSA shall reimburse all full-time and part-time appraisers/reviewers for the ongoing dues and fees associated with obtaining and maintaining State-certified general appraiser status. A request for reimbursement must be in writing and contain the following:

- name of the person claiming reimbursement
- individual's job series number
- copy of the current year's State-certified general appraiser license
- proof of payment
- complete address of where the reimbursement check should be mailed.

Unless otherwise directed in the annual notice of Reimbursement of Dues and Fees for State Certified General Appraisers and 3 Year Training Program Expense Authorization, the appraiser/reviewer should mail the claim to the following.

FINANCIAL ACCOUNTING DIVISION
 USDA FSA
 PO BOX 419205
 KANSAS CITY MO 64141-6205

Note: The State Office pays all continuing education costs.

FSA-limited authority appraisers do not incur any training costs because they are trained in-house or on-the-job by full-time or part-time appraisers/reviewers and are not State-certified.

147-160 (Reserved)

Part 7 Program Loan Cost Expenses**161 Introduction to PLCE's**

A**Purpose and Overview**

This part describes procedures for obligating, paying, and reporting noncontractual expenses and contractual services chargeable as PLCE's to FSA program accounts.

There are 2 types of PLCE's:

- recoverable PLCE's are chargeable to either a borrower or property account
 - nonrecoverable PLCE's are not chargeable to a borrower or property account.
-

B**PC-PRCH**

PC-PRCH is an automated data processing system for purchasing goods and services from commercial or Government supply sources. It is used to create a transmit file of purchase order obligations, receiving reports, and invoice-receipt originals and modifications for electronic transmission to PC-PRCH. Using PC-PRCH with digital signature is required for processing all PLCE's.

SED's shall ensure that an adequate number of employees are trained and delegated authority to input and transmit transactions using PC-PRCH with digital signature. Input and transmission authorities should be delegated to separate individuals whenever possible.

For more information, see "NFC Procedures, PC-PRCH for RD and FSA, Title VI: Systems Access Manual, Chapter 7: Procurement and Other Payments, Section 13: PC-PRCH," National Finance Center, USDA, September 1997. Copies of this manual have been provided to the State PLCE Liaison and the Contracting Officer.

Continued on the next page

161 Introduction to PLCE's (Continued)

C**EFT's**

FSA must pay vendors by EFT, unless a waiver has been granted under the provisions of 1-FL, paragraph 46.5. EFT enables FSA to pay for goods and services electronically by direct deposit of the payment into a vendor's bank account.

To enable EFT's, a vendor must provide FSA with TIN. The vendor must include TIN on all invoices. Vendors that do not have TIN will need to submit W-9 to IRS.

Vendors must also enroll in VXP. Vendors may receive VXP enrollment packages, including SF-3881 on the Internet at www.nfc.usda.gov or by calling NFC, Miscellaneous Payment Section at 1-800-421-0323. Upon enrollment in VXP, the vendor will be assigned a VXP number. The vendor must use this number on all invoices.

The Treasury Department provides Federal Agencies assistance with enrolling vendors in VXP. Additional information on EFT may be obtained from the Treasury Department's Internet site at www.fms.treas.gov/eft/agency/eftasist.html or telephone at 215-516-8011.

FSA must ensure that the TIN and VXP number is on all purchase order requests and invoices.

--D*Program Authority**

Program authorities to obtain goods and services by contract and make noncontractual payments are contained in Exhibit 14. Employees with program authority may redelegate their authority to any qualified employee.

If additional program authority is needed above the levels granted in Exhibit 14, SED must forward a written request to the following.

DIRECTOR
USDA FSA DAFLP LMD STOP 0522
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0522--*

Continued on the next page

161 Introduction to PLCE's (Continued)

**E
Obtaining Contractual
Services**

FSA must use FAR (48 CFR Part 1), Agriculture Acquisition Regulation, USDA DR's and notices, and FSA notices to manage acquisitions.

All contractual documents must have the signature of a warranted Contracting Officer. As specified by FAR 1.602-1(b), only the Contracting Officer has the authority to enter into an agreement with a vendor for contractual supplies or services. All documents signed by the Contracting Officer must be within the limits of the Contracting Officer's authority. Approved contractual documents may be transmitted to NFC by any employee having digital signature authority.

Any initiation or completion of contractual actions without the Contracting Officer's approval or exceeding the Contracting Officer's authority are considered unauthorized commitments. Only the Head of the Contracting Activity Designee has the authority to ratify an unauthorized commitment and authorize payment. Requests for ratification and approval should be sent to the following.

HEAD OF THE CONTRACTING ACTIVITY DESIGNEE
USDA FSA MSD AMB STOP 0567
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0567

162 Allocating PLCE Funds

A

National Office Allocation of PLCE Funds to States

The National Office allocates PLCE funds to each State or group of States that has a Farm Loan Chief. These funds are allocated on a quarterly basis.

The National Office divides each State allocation into 3 accounts. Each account has its own purpose and designated loan cohort.

- ACIF Program Account (nonrecoverable). This “A” Account is used to pay PLCE’s that are not chargeable to a borrower or inventory property account.
- ACIF Direct Loan Financing Account (recoverable). This “R” Account is used to pay PLCE’s that are chargeable to a borrower or inventory property account in which the loan was obligated in FY 1992 or subsequent years.
- ACIF Liquidating Account (recoverable). This “L” Account is used to pay PLCE’s that are chargeable to a borrower or inventory property account in which the loan was obligated before FY 1992.

Note: The most recent allocations are in Exhibit 13.

FSA assigns recoverable PLCE’s to specific loans. When a specific recoverable PLCE applies to more than 1 loan, the oldest outstanding loan, which is the one with the earliest obligation date, of the same type will determine which recoverable account (“L” or “R”) will be charged.

A State Office cannot shift funds among the “A”, “R”, and “L” Accounts. Each State Office must keep these fund purposes and amounts in mind when planning the timing of obligations and disbursements.

Because of anticipated demand for “A” Account funds, State Offices should spend “A” Account funds only for services that cannot be performed internally by FSA.

Continued on the next page

162 Allocating PLCE Funds (Continued)

A**National Office Allocation of
PLCE Funds to States
(Continued)**

If additional funds are required, SED must submit a written request to the following.

DIRECTOR
USDA FSA DAFLP LMD STOP 0523
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0523

The National Office does not allocate funds from the Guaranteed Account (recoverable) to State Offices. Requests for funds to pay PLCE's chargeable to a guaranteed loan or property account obligated in FY 1992 and subsequent years must be submitted to LMD at the above address.

B**State Office Allocation of
PLCE's**

Each State Office must certify PLCE fund availability through the State Office PLCE Liaison and process payments electronically using PC-PRCH with a digital signature.

The PLCE Liaison is responsible for monitoring obligations and disbursements of PLCE-allocated monies by account to avoid violating the Anti-Deficiency Act. Specifically, the State Office FLP staff is responsible for determining and documenting how these monies will best be used to meet program goals and objectives and is accountable for the proper use of these monies.

SED must issue a State Supplement that:

- covers the proper handling of requests for appraisals, advertising, title opinions, legal services, and credit reports
 - distributes the amounts by program and account, if the State Office suballocates these funds
 - identifies its method of certifying fund availability
 - identifies the PLCE Liaison responsible for certifying fund availability.
-

163 Program Authority Codes

A

Purpose

To obligate and control funds and track expenses and to determine program authority, each type of expense must be identified by a unique 4 alpha-numeric character PAC.

PAC's are used to determine:

- if a particular expense can be authorized
- who can authorize it
- whether it must be obtained through contractual or noncontractual means
- whether the expense is recoverable or nonrecoverable.

B

PAC's First Character

The first character will always be "F" for FLP.

C

PAC's Second Character

The second character identifies the program activity phase as follows.

Code	Program Activity
1	Loan Processing - all costs associated with applying for a loan. Costs in this category include loan application reviews, appraisals of potential collateral, credit history checks (credit bureau reports), etc. This code is appropriate to use until a loan is actually closed.
2	Loan Servicing - all costs associated with normal servicing of a loan. Costs in this category include protective advances, year-end analysis, taxes, etc. This code cannot be used for custodial property or when the acquisition/liquidation process has begun, that is, after the date of acceleration.

Continued on the next page

163 Program Authority Codes (Continued)

C
PAC's Second Character
(Continued)

Code	Program Activity
3	Custodial Property Management - all costs associated with managing and maintaining property when FSA has custodial responsibility. Costs in this category include utilities, mowing, changing of locks, etc. Custodial responsibility begins when a borrower has abandoned collateral property and FSA is maintaining it to protect the Government's security interest.
4	Property Acquisition/Liquidation - all costs associated with voluntary or involuntary acquisition/liquidation of security property. Costs in this category include appraisals, foreclosure expenses, etc. This code would be applicable when FSA has accelerated the loan or loans and should be used until the date of foreclosure or date title is transferred to FSA (acquired) or the property is sold to a third party.
5	Inventory Property Management - all costs associated with managing acquired/inventory property. Costs in this category include sales commissions, appraisals, repairs, improvements, taxes, mowing, and utilities.

D
PAC's Third and Fourth
Characters

The third and fourth characters identify the general purpose and detailed description and are obtained from Exhibit 14.

* * *

164 Obligor Funds and Making Payments

A

Obligor Funds

Follow this table when obligator funds.

Step	Action
1	<p>County Offices shall:</p> <ul style="list-style-type: none"> maintain a log for all AD-700's, AD-838's, and RD-838-B's FAX a request for funding approval to the State Office FLP, Attn: PLCE Liaison, before incurring any expenses for PLCE funds. The request must include the following: <ul style="list-style-type: none"> completed AD-700 signed by the Authorized Agency Official loan number against which the cost item is charged for Liquidating ("L") or Direct Loan Financing ("R") Accounts. The ADPS LM or AP Status Screen may be used for this purpose.
2	<p>State Offices shall:</p> <ul style="list-style-type: none"> check Exhibit 14 for proper PAC's and authority to complete the request review and approve the use of funds by signing, dating, and returning AD-700 to the initiating office.
3	<p>County Offices shall, upon receipt of an approved AD-700 from the State Office, FAX a completed AD-838 indicating the proper PAC to the State Office for input into PC-PRCH and transmission to NFC using digital signature. The County Office shall file a copy of all pertinent documents in the case file.</p> <p>Note: For obligations exceeding County Office authority, the State Office shall prepare AD-838 for signature.</p>
4	<p>The County Office shall file the processed AD-838 and notify the vendor to proceed with providing the service.</p> <p>Note: The State Office shall set vendors up with a VXP number for electronic payment whenever possible.</p>

Continued on the next page

164 Obligating Funds and Making Payments (Continued)**B
Making Payments**

Follow this table when making payments.

Step	Action
1	The County Office shall: <ul style="list-style-type: none"> • certify that the services were received • receive a bill from the vendor or prepare FSA-838-C.
2	The County Office shall FAX the completed invoice and RD-838-B, with any supporting documentation, to the State Office for input into PC-PRCH.
3	The State Office shall: <ul style="list-style-type: none"> • verify the information on the invoice and RD-838-B • enter the information into PC-PRCH for transmission to NFC using digital signature. The County Office shall file all pertinent documents in the case file.

165 Stopping Payments, Substituting or Replacing Checks, Canceling Checks, and Requesting Emergency Payments

A

Stopping Payments for Funds Not Issued

FSA shall use the following procedure to stop an incoming receipt or invoice from being processed against an established purchase order.

- Contact NFC, Purchase Order Section, Inquiry Unit at 504-255-4724 and provide the purchase order number and the reason for requesting the stop payment action. Record the name of the NFC technician and the date of contact in the borrower's case file.
- The NFC technician will flag the master file to cause the request for payment to be rejected and contact the appropriate ordering/procurement office.

Do the following to stop a processed receipt or invoice from being released by Treasury.

- Contact NFC, Purchase Order Section, Inquiry Unit at 504-255-4724 at least 3 workdays in advance of the release date and provide the purchase order number, vendor invoice number, dollar amount, and the reason for stopping the payment. Record the name of the NFC technician and the date of contact in the borrower's case file.

Note: NFC cannot stop a check from being issued if the release date is within 3 workdays of the current date.

- The release date is in the upper-right corner of Purchase Order Paid Invoice Screen PO62, of NFC's online inquiry system, under "NFC Schedule Number". The release date can be identified as follows.

1st - 2nd digits	For NFC internal use only
3rd digit	Calendar Year
4th - 6th digits	Julian Date

Example: B20033 indicates that the release date is the 33rd day of the first year of the current decade (2-2-2000).

Continued on the next page

165 Stopping Payments, Substituting or Replacing Checks, Canceling Checks, and Requesting Emergency Payments (Continued)

B

**Requesting
Substitute or
Replacement
Checks**

Before requesting issuance of replacement funds, the Authorized Agency Official should determine whether the funds were sent to the vendor's appropriate "Remit To" address and whether sufficient processing time has passed. The Authorized Agency Official may do this by contacting NFC, Purchase Order Section, Inquiry Unit at 504-255-4724. The Authorized Agency Official must provide NFC with the complete purchase order number, vendor invoice number, and dollar amount.

The Authorized Agency Official should complete AD-663 if the allowable time has passed and the vendor/contractor has no record of receiving payment. AD-663 should be prepared by the Authorized Agency Official using information from the online inquiry PO62, Type 60, Purchase Order Paid Invoice Screen. The Authorized Agency Official must obtain from the vendor a signature certifying on AD-663 that the funds were not received. If additional information is needed to complete AD-663, the Authorized Agency Official should contact NFC, Purchase Order Section, Inquiry Unit.

If the funds were originally issued as an emergency check under subparagraph D, the Authorized Agency Official must notify Loan Operations Division at the appropriate telephone number identified in subparagraph D.

C

**Canceling
Checks**

3-FI provides instructions on canceling checks and payments.

Continued on the next page

165 Stopping Payments, Substituting or Replacing Checks, Canceling Checks, and Requesting Emergency Payments (Continued)

D

Requesting Emergency Payments

The Authorized Agency Official must use the following procedure to obtain an emergency payment.

- The Finance Office must receive a copy of AD-838, RD-838-B, and the invoice before making emergency payments.
- The Authorized Agency Official should express mail or FAX these documents to the applicable Loan Operations Division contact in this table.

State Code	Contact	Address	Telephone	FAX
States 01 - 17	Loan and Grant Servicing Branch I	Farm Service Agency Loan Operations Division Mail Code 532	314-539-3114	314-539-3111
States 18 - 32	Loan and Grant Servicing Branch I	P.O. Box 200003 St. Louis, MO 63120	314-539-3967	314-539-3111
States 33 - 64	Loan and Grant Servicing Branch II	Farm Service Agency Loan Operations Division Mail Code 533 P.O. Box 200003 St. Louis, MO 63120	*--314-539-6321--* or 314-539-6647	314-539-6447

Continued on the next page

165 Stopping Payments, Substituting or Replacing Checks, Canceling Checks, and Requesting Emergency Payments (Continued)

D

**Requesting
Emergency
Payments
(Continued)**

- After sending the documents, the Authorized Agency Official should call the branch that pertains to the appropriate State code to confirm their receipt.
 - The Authorized Agency Official also must send a completed FSA-839.
 - To authorize the emergency payment, SED or his or her designee must sign FSA-839.
 - The Department of Treasury shall transfer the funds approximately 2 workdays after receiving the request. FSA may request same-day electronic disbursements.
 - If EFT is not available, the Finance Office shall ensure that a Treasury check is issued within 2 workdays after receipt of the request.
 - The Loan Operations Division shall notify NFC that the Department of Treasury has issued the funds or check.
-

166-200 (Reserved)

Part 8 (Reserved)

201-400 (Reserved)

Part 9 Internal Controls***--Section 1 National Internal Review****401 Introduction**

A**Background**

FSA is mandated by the Federal Managers Financial Integrity Act of 1982 (Pub. L. 97-255) to maintain an efficient and effective management control system. NIR fulfills this mandate by:

- establishing program evaluation and reporting criteria
 - providing a vehicle by which evaluations are administered
 - providing a framework for performance analysis, corrective action identification, corrective action implementation, and annual reporting.
-

B**Purpose of NIR**

NIR provides FLP with the essential tools to ensure consistency among State Offices through an established internal review process. The contents of this section in combination with the NIR Guide (Exhibit 20) provide the system for reviewing activity and measuring program compliance. The results of reviews conducted under NIR assist management in maximizing efficiency and effectiveness in the administration of the FLP loan portfolio.

C**Administering NIR**

NIR's are administered and the results reported at both the State Office and National Office levels. Exhibit 20 contains the review documents used at both levels. State Office NIR administration includes the following:

- Service Center borrower file reviews
 - Service Center management and civil rights reviews
 - State Office management and civil rights reviews
 - NIR Mid-Year Progress Report (FLP2)
 - NIR Annual Report (FLP3).--*
-

Continued on the next page

401 Introduction (Continued)

C**Administering
NIR (Continued)**

National Office NIR administration includes the following:

- coordination of the Quality Assurance Reviews
- State Office and Service Center management and civil rights field reviews
- analysis and evaluation of each State's mid-year progress report and annual report.

The NIR performance review and evaluation objectives are accomplished by the review and analysis of:

- FLP borrower files in each of the following categories:
 - direct loan making using FSA-2103 and FSA-2116
 - *--Lo-Doc direct loan making using FSA-2118 and FSA-2116
 - guaranteed loan making using FSA-2104 and FSA-2117
 - direct loan servicing using FSA-2105
 - delinquent borrower servicing (1951-S) using FSA-2119
 - disaster set-aside (1951-T) using FSA-2120
 - guaranteed loan servicing using FSA-2106
 - guaranteed loan rescheduling using FSA-2121--*
 - collection and resolution of direct FLP debt using FSA-2107
 - guaranteed loan loss claims using FSA-2108
 - farm inventory property using FSA-2109
- State Office management of direct and guaranteed loan portfolio using FSA-2110
- State Office civil rights compliance activities using FSA-2111
- Service Center management of:
 - direct loan portfolio using FSA-2112
 - guaranteed loan portfolio using FSA-2113
- Service Center civil rights compliance activities using FSA-2114 and FSA-2115.

Continued on the next page

***--401 Introduction (Continued)**

D

SED

Responsibilities

SED is responsible for implementation of the NIR process in their State by ensuring that all required reviews, analyses, applicable corrective action plans, and reports are completed according to this part.

E

National Office

Responsibilities

The National Office is responsible for:

- issuing current NIR guidelines and procedures
 - monitoring the implementation and effectiveness of NIR activities.
-

402 NIR Software

A

KC-ITSDO

Responsibilities

KC-ITSDO, FCAD will provide the software to each State Office to be loaded on the AS400 by October 1 of each FY. NIR software problems will be referred to the National FSA Help Desk at 1-800-255-2434.

B

State Office IT

Responsibilities

The IT staff shall load all NIR software provided by KC-ITSDO immediately upon receipt. This software includes each FY's initial release and all updates during the FY.--*

403 Service Center FLP Borrower File Reviews

A

Population Base for Borrower File Review

The population from which files will be selected for review includes:

- direct loan making - all direct loans closed during the current FY except youth and Lo-Doc operating loans
- *--Lo-Doc direct loan making - all Lo-Doc loans closed during the current FY
- guaranteed loan making - all SEL and CLP guaranteed loans closed during the current FY and all PLP guaranteed loans reviewed according to 2-FLP, subparagraph 267 B
- direct loan servicing - all 1951-S and “routine servicing actions” completed during the 12 calendar months before the date of the review

Note: Routine servicing actions include those servicing actions addressed in FmHA Instruction 1924 B, Section 1924.55(d).

- delinquent borrower servicing (1951-S) - all direct loan borrowers with 2 or more payments past due whose account has not been flagged
- disaster set-aside (1951-T) - all 1951-T’s completed during the 12 calendar months before the review
- guaranteed loan servicing - all guaranteed loans closed from 24 to 30 months before the date of the review
- guaranteed loan restructuring - all guaranteed loans restructured during the 12 calendar months before the date of this review--*
- collection and resolution of direct FLP debt - all direct loan files for which any type of debt settlement action was approved or denied during the 12 calendar months before the date of the review
- guaranteed loan loss claims - all guaranteed loan files for which a loss was paid during the 12 calendar months before the date of the review
- farm inventory property - all farm inventory property (real estate only) files acquired or sold during the 12 calendar months before the date of the review.

Continued on the next page

403 Service Center FLP Borrower File Reviews (Continued)

B**Borrower Files
Selection Criteria**

Files will be selected from the population base as follows:

- direct loan making - the third loan closed and every fifth loan closed thereafter until a minimum of 30 files has been selected
- *--Lo-Doc direct loan making - the third loan closed and every fifth loan closed thereafter until a minimum of 30 files has been selected--*
- guaranteed loan making - the third loan closed and every fifth loan closed thereafter until a minimum of 30 files has been selected

Continued on the next page

403 Service Center FLP Borrower File Reviews (Continued)

B**Borrower Files
Selection Criteria
(Continued)**

- direct loan servicing - all 1951-S * * * files completed; the third “routine *--servicing action” file completed and every fifth “routine servicing action” file completed thereafter until a minimum of 30 files has been selected
- delinquent borrower servicing (1951-S) - the third file in the population and every fifth file in the population thereafter until a minimum of 30 files has been selected
- disaster set-aside (1951-T) - the third file in the population and every fifth file thereafter until a minimum of 30 files has been selected
- guaranteed loan servicing - the third file serviced and every fifth file serviced thereafter until a minimum of 30 files has been selected
- guaranteed loan restructuring - the third file restructured and every fifth file restructured thereafter until a minimum of 30 files has been selected--*
- collection and resolution of direct FLP debt - the third file for which any type of debt settlement action was approved or denied and every fifth file approved or denied thereafter until a minimum of 30 files has been selected
- guaranteed loan loss claims - the third file for which a loss was paid and every fifth file processed thereafter until a minimum of 30 files has been selected
- farm inventory property - all farm inventory property (real estate only) files.

Notes: If the population for any category is less than 30 files, all files in that category shall be selected and reviewed.

States scheduled for a Quality Assurance Review during the current FY shall, as a minimum, review the first 15 files selected in each of the *--11 categories **before** arriving at the National Office for their scheduled--* review.

States that use the NIR process as a comprehensive underwriting tool or typically begin the file review process early in the FY may request an exception to the prescribed selection criteria. FLC must provide documented evidence that their file review process will meet or exceed the criteria stipulated in this paragraph. Address telephone request to Van Denton, NIR Team Leader at 202-720-1652.

Continued on the next page

403 Service Center FLP Borrower File Reviews (Continued)

C**Analysis and
Evaluation**

Files selected will be reviewed through a file “reviewer’s” response to a series of *--questions in each of the 11 review categories. The reviewer must answer all questions and respond “Yes”, “No”, or “N/A”. The reviewer must also gather financial data from each direct loan making and guaranteed loan making file reviewed using FSA-2116 or FSA-2117.

Note: Do not complete FSA-2117 for PLP lenders. Financial data will not be input into the NIR software for PLP lenders.--*

Each category of the review is designed to identify strengths and weaknesses in FLP loan making and loan servicing activities. The questions in each category are classified in 1 of the following 4 subcategories:

- Credit Quality
- Servicing Quality
- Statutory Compliance
- Regulatory Compliance.

The Credit and Servicing Quality questions measure the FLP loan making and loan servicing quality of the selected files. The Statutory and Regulatory Compliance questions measure the degree to which statutes and regulations are adhered to.

The results from each file reviewed and the financial data collected are entered into the NIR software for analysis. A summary report provides statistical results for each question by indicating a noncompliance score that compares the total number of “No” responses for each question to the total number of applicable responses (10 percent or greater noncompliance for each question is considered a weakness). The report further provides statistical results for each subcategory by comparing the number of “Yes” responses to the total number of applicable responses (a bench mark score of ninety percent or greater is considered acceptable).

A report is generated that contains a summary and analysis of the financial data collected for each direct loan making and guaranteed loan making file reviewed. In addition to the summary and analysis data, financial ratios are also calculated and provided in the report.

Continued on the next page

403 Service Center FLP Borrower File Reviews (Continued)

D**FLC****Responsibilities**

FLC shall coordinate the selection of files for review and the completion of the file reviews to be conducted within the State. This file selection and review shall occur:

as part of an ongoing process at the State level or
during group sessions with DD's, FLM's, and FLO's.

As file reviews are completed, FLC shall coordinate:

- entry of review result data into the current NIR software

Note: Users must enter the population, sample size, and amount obligated manually before printing the State's final report for the current FY.

*--The obligations field applies only to the direct, including Lo-Doc loans, and guaranteed loan making categories.

- direct loan making, including Lo-Doc loans, and guaranteed loan making--* financial data entry into the current NIR software
- downloading the year-end data to tape(s) and sending them to:

FSA/KC-ITSDO/FCAD

--Attn: Elizabeth E. Segura--

MS 8238

6501 Beacon Drive

Kansas City, MO 64133-4676.

FLC shall establish and maintain operational files that include hard copies of all review documentation, which includes questionnaires and summary sheets by borrower, for trend analysis and response to oversight by OIG and GAO.

*--**Note:** Retain documentation for 3 FY's after the date of the review.--*

***--404 FLP Management Reviews**

A

Evaluation

The State Office and Service Center Management segments of NIR are comprised of 3 questionnaires that evaluate FLP portfolio management in the State Office and in the Service Centers.

The reviewer must respond “Yes”, “No”, or “N/A” to each management question in the NIR Guide.

The results from the review are entered into the NIR software for analysis. A summary report provides statistical results for each question by indicating a noncompliance score that compares the total number of “No” responses to the total number of applicable responses (10 percent or greater noncompliance is considered a weakness). The summary report will also calculate a noncompliance percent by question. Ten percent or greater noncompliance is considered a weakness and must be reported. Findings are to be reported annually to the National Office in FLP2 and FLP3.

B

**State Review
Coordination**

FLC shall schedule the State Office and Service Center management reviews according to either of the following:

- as part of an ongoing process by FLP specialists
- during group sessions with DD’s, FLM’s, and FLO’s.

As State Office and Service Center management reviews are completed, FLC shall coordinate the data entry from each review into the NIR software for analysis.

C

Review Schedule

State Office management reviews will be conducted not less than biennially to coincide with each State’s scheduled Quality Assurance Review.

Service Center management reviews will be conducted in one third of Service Centers annually, with each Service Center receiving a review every third year.--*

***--405 FLP Civil Rights Reviews**

A**Evaluation**

Civil rights compliance is addressed by evaluating items in both the State Office and Service Center questionnaires. The reviewer must respond “Yes”, “No”, or “N/A” to each civil rights question in the NIR Guide. The results from the review are entered into the NIR software for analysis. A summary report provides statistical results for each question by indicating a noncompliance score that compares the total number of “No” responses to the total number of applicable responses (10 percent or greater noncompliance is considered a weakness). The summary report will also calculate a noncompliance percent by question. Ten percent or greater noncompliance is considered a weakness and must be reported. Findings are to be reported annually to the National Office in FLP2 and FLP3.

B**State Review
Coordination**

FLC shall schedule the State Office and Service Center civil rights reviews according to either of the following:

- as part of an ongoing process by FLP specialists
- during group sessions with DD’s, FLM’s, and FLO’s.

As State Office and Service Center civil rights reviews are completed, FLC shall coordinate the data entry from each review into the NIR software for analysis.

C**Review Schedule**

State Office civil rights reviews will be conducted not less than biennially to coincide with each State’s scheduled Quality Assurance Review.

Service Center civil rights reviews shall be conducted in one third of Service Centers annually, with each Service Center receiving a review every third year.--*

406 National FLP Quality Assurance Reviews

A FLC Responsibilities

FLC shall ensure that:

- a minimum of 15 files for each category listed in subparagraph 403 B are reviewed before the scheduled date of the Quality Assurance Review
- copies of **all** State commodity price lists used to prepare FSA-431-2's for the current and previous FY are sent to PDEED at the address below
- copies of the current and previous State Supplement to FmHA Instruction 1941-B, RD Instruction 1927-B, and RD Instruction 1962-A are sent to PDEED at the address below
- copies of questionnaires and summary of deficiencies for the selected files are sent to PDEED at the address below
- data diskettes and hard copy reports containing all files reviewed to date for all categories are sent to PDEED at the address below
- upon receipt of PDEED notification of file selection, the appropriate Service Center borrower files are sent by Federal Express overnight delivery to:

Bobby O. Reynolds, Director
*--FSA/DAFLP/PDEED/Suite 270
1280 Maryland Avenue, SW.
Washington, DC 20024--*

- return address labels are prepared according to Exhibit 21 and included with each file mailed.
-

B National Office Responsibilities

The National Office is responsible for:

- scheduling and conducting State Quality Assurance Reviews on a 2-year cycle

Note: See Exhibit 22 for the current FY Quality Assurance Review schedule.

- *--randomly selecting 5 borrower files for each of the 11 file review categories--* to be reviewed.

Note: To maximize the benefits of the reviews, FLC's will participate in their respective State's Quality Assurance Reviews.

407 Reports and Follow-Up Actions

**A
Reports
Required**

SED shall submit the following reports to PDEED:

- before April 15 of each year, a NIR Mid-Year Progress Report (FLP2) as of March 31
- before September 30 of each year, a NIR Annual Report (FLP3) as of August 31.

Note: See the address in subparagraph 3 D.

**B
NIR Mid-Year
Progress Report**

*--The NIR Mid-Year Progress Report (FLP2) shall be a brief memorandum that addresses the present status of NIR by category and includes the following:

- number of files reviewed by category
 - any weaknesses or potential problems in current FY file reviews.--*
-

Continued on the next page

407 Reports and Follow-Up Actions (Continued)

B

NIR Mid-Year Progress Report (Continued)

- problems or obstacles that have developed outside the scope of the review process that need attention

* * *

- present status of corrective actions, by category, in response to the most recent corrective action plan.
-

C

NIR Annual Report

The NIR Annual Report (FLP3) shall address the following:

- State * * * personnel data, such as the number of FTE's and PTE's by position/title, and the number of type 1, 2, and 3 Service Centers
 - summary of the findings of the following:
 - State Office Management Review
 - Service Center Management Review
 - State Office Civil Rights Review
 - Service Center Civil Rights Review
 - summary of the findings for each of the categories listed in subparagraph 403 B
-

Continued on the next page

407 Reports and Follow-Up Actions (Continued)

C
NIR Annual
Report
(Continued)

- proposed corrective action plan to eliminate identified weaknesses

Notes: The corrective action plan shall be specific and shall indicate the following:

- responsible official
- target date for completion of each corrective action
- actual completion date of any corrective action completed before submission of the report.

State Offices shall use the following matrix to report weaknesses:

- Weakness:
- Corrective Action:
- Official Responsible:
- Target Date for Completion:
- Actual Completion Date:
- present status of corrective actions, by category, in response to any corrective action plan from the most recent NIR Annual Report
- *--summary of the analysis of financial ratios for the direct, including Lo-Doc loans, and guaranteed loan making categories.--*

Continued on the next page

***--407 Reports and Follow-Up Actions (Continued)**

D

PDEED Action

Upon receipt of State reports, PDEED shall:

- evaluate and approve corrective action plans for each State Office
- validate implementation of corrective action plans, as applicable, and process correspondence to each SED closing the NIR Annual Report (FLP3)

Note: The corrective action plan will be closed when the State Office provides documentation to verify that all corrective actions have been implemented.

- prepare a summary report for DAFLP.--*
-

408-440 (Reserved)

Section 2 DD FLP Oversight Activities

441 DD FLP Oversight Reviews

A

Overview

This section covers the FLP oversight activities to be completed by DD's in Type 1 and Type 2 Service Centers.

B

Purpose

This section:

- establishes the methodology for DD oversight of FLP activities
 - provides guidance for documenting findings and results of DD FLP Oversight Reviews.
-

C

Relationship Between DD Oversight and NIR

DD's shall:

- become familiar with and use FLP's internal control system
 - have a clear understanding of the relationship between the NIR process and the DD FLP Oversight Review process.
-

Continued on the next page

441 DD FLP Oversight Reviews (Continued)

**D
Oversight
Reviews**

DD's shall:

- complete FLP Oversight Reviews using FSA-2101 or other format according to subparagraph 442 C
- ***--Note:** Once a particular file or case has been reviewed for a particular review item during the review period, this file or case need to only be reviewed again to check correction of any deficiencies found.--*
- conduct reviews according to FSA-2102
- coordinate and plan FLP Oversight Review visits with the State Office FLP Section so that participation by FLC or FLS can be arranged when necessary
- notify SED or FLC of any apparent problems that may require immediate attention.

FLM's or FLO's shall:

- obtain the MAC Reports and other reports needed for items to be reviewed
 - be available to discuss specific cases or to answer questions from DD.
-

**E
Forms
Availability**

FSA-2101 and FSA-2102 are available on the FFAS Employee Forms Online Intranet site. Access the site from the FSA Intranet at <http://intranet.fsa.usda.gov>.

***--F
DD Oversight
Review Manual**

The DD Oversight Review Manual (Exhibit 25) contains instructions and guidance for completing FSA-2101.--*

442 Reporting Requirements

**A
Preparing
Reports**

DD's shall:

- document specific findings for each case file or operational file reviewed by
--using FSA-2101 as a guide for the items to be reviewed--
 - indicate the date of review on FSA-2102.
-

**B
Submitting
Reports**

As a minimum, DD's shall:

submit a copy of FSA-2102 and summary of findings from reviews completed during the quarter to SED on a quarterly basis, within 15 calendar days of the end of each quarter of FY

- submit a signed original FSA-2102 and summary of findings to SED, within 15 calendar days of the end of the last quarter of each FY
 - send a copy of the quarterly and yearend reports, along with summary of findings to:
 - FLC
 - the appropriate Service Center.
-

**C
State Office
Responsibilities**

SED's shall issue a State Supplement about:

- the frequency of reviews to be completed by DD's for specific review items in FLP Service Centers that consistently show no deficiencies for a review item
 - the frequency for submitting findings
 - the documentation format to be used by DD's when summarizing findings from oversight reviews.
-

443 Reviewing Reports

A**State Office
Responsibilities**

SED's shall establish and maintain operational files for quarterly and yearend reports.

Notes: A separate file will be maintained for each Type 1 and Type 2 Service Center, and these files will be further grouped by District.

The files will contain FSA-2102 and the findings reported by DD's.

FLC's shall:

- follow up on any concerns reported by DD's, as necessary
- fully document actions taken to remedy problems or deficiencies identified, as necessary.

Note: Documentation may include copies of State notices, training agendas, etc., and shall be filed in the operational file established for the applicable Service Center.

B**National Office
Responsibilities**

State Office operational files shall be reviewed during field reviews conducted in connection with the NIR process. Review of the operational files will verify that:

- consistent and timely oversight reviews are being conducted by DD's
 - SED's and FLC's are monitoring and addressing any deficiencies or apparent problems identified by DD's.
-

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

This table lists the required report of this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
FLP1 (FSA 1922-17)	Appraisal Certification Program Semi-Annual Report	Semi-Annually	10 workdays after end of the 2 nd and 4 th quarter of each FY	Required	146
FLP2	NIR Mid-Year Progress Report	Semi-Annually	By April 15 each year	Required	401, 404, 405, 407
FLP3	NIR Annual Report	Annually	By September 30 each year	Required	401, 404, 405, 407

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-663	Request for Issuance of Substitute or Replacement Check		165
AD-700	Procurement Request		164
AD-838	Purchase Order		164, 165
AD-1026	Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification		Ex. 20
AD-1026A	Supplemental to AD-1026 (Continuation)		Ex. 20
CCC-257	Schedule of Deposit		Ex. 25
FmHA 440-2	County Committee Certification or Recommendation		Ex. 20
FmHA 462-12	Statement of Continuation, Partial Release, Assignment, Etc.		Ex. 20
FmHA 1922-14	Residential Appraisal Review for Single Family Housing		143
FmHA 1940-1	Request for Obligation of Funds		Ex. 25
FmHA 1940-22	Environmental Checklist for Categorical Exclusions		Ex. 20

Continued on the next page

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

**Forms
(Continued)**

Number	Title	Display Reference	Reference
FmHA 1940-38	Request for Lender's Verification of Loan Application		Ex. 20
FmHA 1945-22	Certification of Disaster Losses		Ex. 20
FmHA 1945-26	Calculation of Actual Losses		Ex. 20
FmHA 1945-29	FSA Verification of Farm Acreages, Production and Benefits		Ex. 20
FmHA 1955-50A	"Advice of Inventory Property Sold" Transaction Code 1G Credit Sale		Ex. 20
FmHA 1955-50B	"Advice of Inventory Property Sold" Transaction Code 1-H Cash Sale/Transfer-Acquired Property		Ex. 20
FmHA 1956-1	Application for Settlement of Indebtedness		Ex. 20, 25
FmHA 2006-21	Information Systems Management (ISM) Request for Changes to User Documentation		41
FSA-410-1	Request for Direct Loan Assistance		Ex. 25
FSA-431-2	Farm and Home Plan		406, Ex. 7, 20, 25
FSA-440-4	Security Agreement (Chattels and Crops)		Ex. 25
FSA-440-4A	Security Agreement (Chattels and Crops)		Ex. 25
FSA 440-13	Report of Lien Search		Ex. 20
FSA-440-32	Verification of Debts and Assets		Ex. 20
FSA-580	Primary and Preservation Loan Servicing Checklist		Ex. 20
FSA-603	Collection Register for State and County Offices		Ex. 25
FSA-838-C	Substitute Invoice		164
FSA-839	Request for Emergency Payment		165
FSA 1922-1	Appraisal Report - Farm Tract		142, Ex. 20
FSA 1922-2	Supplemental Report		142

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

**Forms
(Continued)**

Number	Title	Display Reference	Reference
FSA 1922-5	Appraisal Review		143
FSA 1922-9	Real Estate Sales Data		142
FSA 1922-10	Appraiser's Worksheet - Farm Tracts - Study of Comparable Properties		142
FSA 1922-11	Appraisal for Mineral Rights		142
FSA 1922-16	Administrative Appraisal Review		143
FSA 1922-17	Appraisal Certification Program Semi-Annual Report		146
FSA-1940-3	Request for Obligation of Funds Guaranteed Loans		Ex. 20
FSA-1956-10	Debt Settlement or Release of Liability Checklist		Ex. 20
FSA-1956-20	Referral of Farm Loan Program Debt for Cross-Servicing		Ex. 20
FSA-1962-1	Agreement for the Use of Proceeds/Release of Chattel Security		Ex. 7, 20, 25
FSA-1980-15	Conditional Commitment		43, Ex. 20
FSA-1980-22	Lender Certification		Ex. 20
FSA-1980-24	Request for Interest Assistance Payment		Ex. 20
FSA-1980-25	Application for Guarantee		Ex. 20
FSA-1980-27	Loan Guarantee		Ex. 7, 20
FSA-1980-28	Preferred Lender Application for Guarantee		Ex. 20
FSA-1980-36	Assignment of Guarantee		Ex. 7, 20
FSA-1980-38	Lender's Agreement		Ex. 20, 25
FSA 1980-41	Guaranteed Farm Loan Status Report as of _____		Ex. 20
FSA-1980-44	Guaranteed Farm Loan Default Status Report		Ex. 20
FSA-1980-64	Interest Assistance Agreement		Ex. 25
FSA-1980-84	Modification of Loan Guarantee		Ex. 20
FSA-1980-88	Farm Loan Programs Guaranteed Writedown Worksheet		Ex. 20

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)**Forms
(Continued)**

Number	Title	Display Reference	Reference
FSA 1980-89	Shared Appreciation Agreement for Guaranteed Loans		Ex. 20
FSA-2006-20	Classification of Farmer Program Borrower Account		Ex. 20
FSA-2101	DD FLP Oversight Report Guide		441, 442, Ex. 25
FSA-2102	Summary Schedule for DD FLP Oversight Reviews		441-443
FSA-2103	Direct Loan Making File Review Questionnaire		401, Ex. 20
FSA-2104	Guaranteed Loan Making File Review Questionnaire		401, Ex. 20
FSA-2105	Direct Loan Servicing File Review Questionnaire		401, Ex. 20
FSA-2106	Guaranteed Loan Servicing File Review Questionnaire		401, Ex. 20
FSA-2107	Collection and Resolution of Direct FLP Debts File Review Questionnaire		401, Ex. 20
FSA-2108	Guaranteed Loan Loss Claims File Review Questionnaire		401, Ex. 20
FSA-2109	Farm Inventory Property File Review Questionnaire		401, Ex. 20
FSA-2110	State Office FLP Management File Review Questionnaire		401
FSA-2111	State Office Civil Rights FLP File Review Questionnaire		401
FSA-2112	Service Center FLP Management File Review Questionnaire Direct Loans		401
FSA-2113	Service Center FLP Management File Review Questionnaire Guaranteed Loans		401
FSA-2114	Service Center FLP Civil Rights File Review Questionnaire		401
FSA-2115	Service Center FLP Civil Rights File Review Worksheet		401
FSA-2116	Financial Data Input Form for Direct Loans		401, 403, Ex. 20

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

**Forms
(Continued)**

Number	Title	Display Reference	Reference
FSA-2117	Financial Data Input Form for Guaranteed Loans		401, 403, Ex. 20
FSA-2118	Lo-Doc Direct Loanmaking File Review Questionnaire		401, Ex. 20
FSA-2119	Delinquent Borrower (1951-S) File Review Questionnaire		401, Ex. 20
FSA-2120	Disaster Set-Aside (1951-T) File Review Questionnaire		401, Ex. 20
FSA-2121	Guaranteed Loan Restructuring File Review Questionnaire		401, Ex. 20
FSA-431-2	Farm and Home Plan		Ex. 20
NRCS-CPA-026E	Highly Erodible Land and Wetland Conservation Determination		Ex. 20
RD 440-15	Security Agreement (Direct Loans to Individuals)		Ex. 25
RD 440-21	Appraisal of Chattel Property		142, Ex. 20
RD 449-30	Guaranteed Loan Report of Loss		Ex. 20
RD 449-36 <u>1/</u>	Assignment Guarantee Agreement		Ex. 20
RD-838-B	Invoice - Receipt Certification		164, 165
RD 1910-5	Request for Verification of Employment		Ex. 20
RD 1922-15	Administrative Appraisal Review for Single Family Housing		143
RD 1927-19	Certification of Attorney		43
RD 1927-20	Certification of Title Insurance Company		43
SF-3881	ACH Vendor/Miscellaneous Payment Enrollment Form		161
W-2	Wage and Tax Statement		Ex. 20
W-9	Payer's Request for Taxpayer Identification Number and Certification		161

1/ This form is obsolete.

Continued on the next page

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACIF	Agricultural Credit Insurance Fund	162
ADPS	Automated Discrepancy Processing System	41, Ex. 20, 25, 39, 40
ADR	alternative dispute resolution	42
CLP	Certified Lender Program	43, 403, 407, Ex. 20, 25
CMS	Credit Management Systems	Ex. 20
CNC	currently not collectible	Ex. 20
CONACT	Consolidated Farm and Rural Development Act	1, 21, 29, Ex. 25
DSA	disaster set-aside	Ex. 20
ECOA	Equal Credit Opportunity Act	Ex. 25
EFT	electronic funds transfer	161, 165, Ex. 7
EM	emergency loans	29, Ex. 20, 25
FAR	Federal Acquisitions Regulation	161
FCAD	Farm Credit Applications Division, KC-ITSDO, St. Louis	402, 403
FHP	Farm and Home Plan	Ex. 20
FLC	Farm Loan Chief	Part 2, 144, 403-406, 441-443, Ex. 20
FLM	Farm Loan Manager	Part 2, 403, 441, Ex. 7, 20, 25
FLO	Farm Loan Officer	23, 25, 26, 29, 403, 441, Ex. 7, 25
FLOT	Farm Loan Officer Trainee	25
FLS	Farm Loan Specialist	23, 25, 29, 441
FmHA	Farmers Home Administration	2, Ex. 25

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

**Abbreviations
Not Listed in
1-CM
(Continued)**

Approved Abbreviation	Term	Reference
FO	Farm Ownership	29, Ex. 20, 25
FP	Farm Programs	Ex. 20
FTE	full-time employee	407
GLS	Guaranteed Loan System	Ex. 25
IA	interest assistance	Ex. 20, 25
ITLAP	Indian Tribal Land Acquisition Program	2
LOC	line of credit	Ex. 20
LOD	Loan Operations Division	Ex. 20
Lo-Doc	low documentation operating loan	403, 407
MAC	Management of Agricultural Credit	Ex. 25-27, 29-35, 38, 43-45, 47
NIR	National Internal Review	27, 28, Part 9, Ex. 20, 25
OL	Operating Loans	29, Ex. 20, 25
PAC	Program Authority Code	163, 164
PC-PRCH	Purchase Order System	161, 162, 164
PLCE	Program Loan Cost Expense	161, 162, 164, Ex. 4, 13, 14
PLP	Preferred Lender Program	43, 403, 407, Ex. 20, 25
PLS	Primary Loan Servicing	Ex. 20
PT	program technician	23, 26, Ex. 7
PTE	part-time employee	407

 Continued on the next page

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

**Abbreviations
Not Listed in
1-CM
(Continued)**

Approved Abbreviation	Term	Reference
QAR	Quality Assurance Review	406, Ex. 20
RD	Rural Development	2, 161, Ex. 25
SAA	Shared Appreciation Agreement	Ex. 20
SALP	Special Apple Loan Program	2
SEL	standard eligible lender	43, 403, 407, Ex. 20, 25
SW	soil and water	Ex. 25
TC	transaction code	41
TIN	taxpayer identification number	161
USPAP	Uniform Standards of Professional Appraisal Practice	Part 6, Ex. 2
VXP	Vendor Express Program	161, 164
WLS	workload scheduling	Ex. 25, 31-35, 38, 45, 47

**Redelegations
of Authority**

SED's may redelegate their:

- loan approval authority to FLC, FLS, or DD
 - authority to allow the use of a restricted appraisal report to the State appraisal staff.
-

Definitions of Terms Used in This Handbook (7 CFR 761.7 (b))

Administrative Appraisal Review	<p><u>Administrative appraisal review</u> is a review of an appraisal to determine whether the appraisal:</p> <ul style="list-style-type: none"> • meets applicable Agency requirements • is accurate outside the requirements of USPAP Standard 3.
Agency	<p><u>Agency</u> is the Farm Service Agency, including its employees, States, and committee members, and any successor Agency.</p>
Authorized Agency Official	<p>The <u>Authorized Agency Official</u> is the FSA official that is authorized to perform specific tasks related to loan making or servicing. The appropriate official is determined by inherent authorities or delegations applicable to a particular task.</p>
Complex Properties	<p><u>Complex properties</u> are properties exceeding 1 to 4 single family units that have income-producing potential, which typically includes business and agricultural properties.</p>
FLP Loan	<p><u>FLP loan</u> refers to Farm Ownership (FO), Soil and Water (SW), Recreation (RL), Economic Opportunity (EO) loans, Operating (OL), Emergency (EM), Economic Emergency (EE), Softwood Timber (ST), and Rural Housing loans for farm service buildings (RHF).</p>
Noncomplex Properties	<p><u>Noncomplex properties</u> are properties including 1 to 4 single family units and agricultural properties, such as a small parcel of bare land without improvements, minerals, water, timber, or other income-producing attributes.</p>
Technical Appraisal Review	<p><u>Technical appraisal review</u> is a review of an appraisal to determine if such appraisal meets the requirements of USPAP pursuant to Standard 3 of USPAP.</p>
USPAP	<p><u>USPAP</u> are standards governing the preparation, reporting, and reviewing of appraisals established by the Appraisal Foundation pursuant to the Financial Institutions Reform, Recover and Enforcement Act of 1989.</p>

State Supplements

Subparagraph	State Supplement
28 B	Guidance on completing Credit Quality Reviews.
141 E	Guidance on the process to request: chattel appraisal from a contract appraiser real estate appraisal.
162 B	Guidance on PLCE funds allocated to State Offices.
442 C	Guidance on reporting findings of DD oversight reviews.

Note: SED's shall:

- issue State supplements according to 1-AS, paragraph 216
 - *--obtain approval of State supplements according to 1-AS,
 paragraph 220.--*
-

Delegating FLP Authority

A

SED Delegations SED may delegate the following authorities to employees who have experience and completed the required training:

- authority to prepare chattel appraisals
 - authority to prepare real estate appraisals when the total credit transaction is less than \$100,000
 - authority to complete administrative appraisal reviews
 - loan approval authority.
-

B

FLM Delegations This table lists the authorities FLM may delegate to FLO or PT who have experience and completed any required training.

Authority	FLO	PT
Sign correspondence as regular signing official	X	
Sign correspondence “for”	X	X
Establish supervised bank account and deposit loan checks	X	X
Countersign supervised bank account checks/withdrawals	X	X
Input pre-note information for EFT	X	X
Plan and inspect site development work	X	
Check preliminary title opinion for exceptions	X	X
Check final title opinion or mortgage policy for proper lien position	X	X
Review loan closing statement for proper funds disbursement	X	X
Execute financing statements or other legal instruments to obtain and preserve security on chattel loans	X	X
Approve FSA 1980-36	X	X

Continued on the next page

Delegating FLP Authority (Continued)

B
FLM Delegations
(Continued)

Authority	FLO	PT
Review loan closing and issue FSA 1980-27	X	
Approve satisfaction/release of security instruments	X	X
Prepare FSA 1962-1	X	
Release chattel/crop security per approved FSA 1962-1	X	X
Revise FSA 431-2 and FSA 1962-1 when necessary	X	
Approve replacement/development - use of insurance proceeds	X	
Approve servicing actions, including liquidation plans submitted by lenders	X	
Approve protective advances	X	
Approve loan restructuring	X	
Approve emergency advance requests	X	
Complete lender reviews	X	
Ordering credit reports	X	X
Execute FSA 1980-15	X	
Execute FSA 1980-27	X	

PLCE Allocations for FY 2001

State	Program Account A Funds	Financing Account R Funds	Liquidating Account L Funds
FY 2001 Total			
Alabama	20,489	36,148	108,593
Alaska	9,525	387	836
Arizona	26,520	32,379	315,785
Arkansas	130,014	119,598	485,071
California	176,231	110,545	1,113,214
Colorado	24,320	56,451	309,951
Delaware/Maryland	23,039	18,969	79,629
Florida/VI	16,596	64,699	554,622
Georgia	52,524	98,938	409,546
Hawaii/Western Pacific Territories	10,052	7,641	52,151
Idaho	100,643	56,689	367,974
Illinois	51,032	74,028	361,865
Indiana	76,675	48,468	242,459
Iowa	131,562	207,861	1,121,391
Kansas	114,164	108,395	474,970
Kentucky	110,444	58,480	256,999
Louisiana	108,383	147,411	573,378
Maine	2,753	24,965	124,524
Massachusetts/ Connecticut Rhode Island	45,134	629,221	348,709
Michigan	119,933	68,971	390,630
Minnesota	236,095	196,736	1,072,789
Mississippi	123,884	145,644	683,951
Missouri	112,667	437,754	645,652
Montana	111,628	60,732	343,672

Continued on the next page

PLCE Allocations for FY 2001 (Continued)

State	Program Account A Funds	Financing Account R Funds	Liquidating Account L Funds
FY 2001 Total			
Nebraska	127,928	111,228	571,357
Nevada	5,030	6,248	100,512
New Jersey	11,603	12,933	161,004
New Mexico	17,292	202,734	193,290
New York	128,044	182,681	1,159,342
North Carolina	2,261	71,662	488,649
North Dakota	142,424	156,138	672,989
Ohio	22,946	29,562	148,384
Oklahoma	193,164	173,137	814,021
Oregon	103,690	39,301	225,011
Pennsylvania	51,926	55,475	231,656
Puerto Rico	20,217	80,585	393,520
South Carolina	31,709	50,281	217,500
South Dakota	114,257	154,281	764,865
Tennessee	74,934	65,664	256,383
Texas	275,659	338,689	1,281,031
Utah	21,447	20,864	96,746
Vermont/New Hampshire	17,299	121,040	278,713
Virginia	16,001	43,332	216,466
Washington	57,401	60,395	370,798
West Virginia	35,420	23,387	91,716
Wisconsin	137,397	150,867	698,231
Wyoming	26,316	38,406	129,456
Reserve	570,333	3,000,000	10,000,000
Total	4,139,000	8,000,000	30,000,000

Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - FLP's

Third Character: Purpose

Fourth Character: Detail

Code	Contract Purpose	Code	Detail	Program Activity									
				1-Processing		2-Servicing		3-Custodial		4-Acquired		5-Inventory	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
A	Inspection	1	Real Estate	S	N	S	N	S	R	S	R	S	N
		2	Chattel	S	N	S	N	S	R	S	R	S	N
		3	Crop	S	N	S	N	S	R	S	R	S	N
		4	Repairs										
		5	Construction										
		6	Supervisory										
B	Appraisals	1	Real Estate	S	N	S	N	S	R	S	R	S	N
		2	Chattel	S	N	S	N	S	R	S	R	S	N
		3	Crop	S	N	S	N	S	R	S	R	S	N
C	Analysis & Audits	1	Year-end Analysis/Reports/Audits			S	N						
		2	Subordination			S	N						
		3	Graduation			S	N						
		4	Farm Management Specialist	S	N	S	N	S	R	S	R		
		5	Debt Settlement			S	N	S	R	S	R		
		6	Budget Plan	S	N	S	N	S	R	S	R	S	N
		7	Financial Analysis	S	N	S	N	S	R	S	R		
		8	Interest Credit Renewal										
		9	Account Auditing/CPA Studies										
		A	Other Than Above	S	N	S	N	S	R	S	R	S	N

Continued on the next page

Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - FLP's (Continued)

Third Character: Purpose		Fourth Character: Detail		Program Activity									
Code	Contract Purpose	Code	Detail	1-Processing		2-Servicing		3-Custodial		4-Acquired		5-Inventory	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
D	Information Services	1	Tax Report & Record Documentation	S	N	S	N						
		2	Data Processing/Info Gathering	S	N	S	N	S	R	S	R	SDC	N
		3	Comparable and Market Studies	S	N	S	N	S	R	S	R	S	N
		4	Advertising	SDC	N	SDC	N	SDC	R	SDC	R	SDC	R
		5	Cost Estimators										
		6	Cost Certification										
		7	Review of Annual Reports										
		8	Wage Match										
E	Other Services	1	Architect &Engineering										
		2	Surveying			S	N	S	R	S	R	S	N
		3	Investigation			S	N	S	R	S	R	S	N
		4	Bankruptcy			S	N	S	R	S	R		
		5	Foreclosure (Non-Judicial State) (Note 1)			S	N	S	R	S	R		
		6	Title Search			SDC	N/R	SDC	R	SDC	R	SDC	N
		7	Trustee Agency (Foreclosure Actions)			S	R	S	R	S	R		
		8	Auctioneer (Note 7)					SDC	R	SDC	R	SDC	R
		9	Interpreter Services	S	N	S	N	S	N	S	N	S	N
		A	Mediation (No State Program)	SDC	N	SDC	N	SDC	R	SDC	R	SDC	N
		B	Attorney Serv. Foreclosure (Judicial) (Note 1)			S	R	S	R	S	R	S	N
		C	Evictions										
		D	Spec. Writing										
		E	Supervisory Visits										

Continued on the next page

Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - FLP's (Continued)

Third Character: Purpose		Fourth Character: Detail		Program Activity									
Code	Contract Purpose	Code	Detail	1-Processing		2-Servicing		3-Custodial		4-Acquired		5-Inventory	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
F	Maintenance/Management	1	Property Management/Caretaking					SDC	R	SDC	R	SDC	N
		2	Hauling					SDC	R	SDC	R	SDC	N
		3	Temporary Custodial					SDC	R	SDC	R		
		4	Other					S	R	S	R	S	N
G	Repairs/Improvements	1	Onsite (Note 3)					SDC	R	SDC	R	SDC	R
		2	Offsite					SDC	R	SDC	R	SDC	R
H	Real Estate Broker (Exclusive Listing)	1	Commission					SDC	R	SDC	R	SDC	R
		2	Bonus					S	R	S	R	S	R
I	Real Estate Broker (Open Listing)	1	Commission					SDC	R	SDC	R	SDC	R
		2	Bonus					S	R	S	R	S	R
J	Environmental (Contractual or Noncontractual (Note 2))	1	NEPA - Environmental Assessments	S	N	S	N					S	N
		2	NEPA - Environmental Impact Statements	A	N	A	N					A	N
		3	Miscellaneous NEPA Studies	S	N	S	N					S	N
		4	Archaeological Surveys	S	N	S	N					S	N
		5	Miscellaneous Historical Preservation Activities	S	N	S	N					S	N
		6	Endangered Species Studies	S	N	S	N					S	N
		7	Wetland Delineations	S	N	S	N					S	N
		8	Preliminary Assessments (Notes 3 & 5)									S	R
		9	Site Inspections and Remedial Investigations/Feasibility Studies (Notes 3 & 5)									S	R

Continued on the next page

Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - FLP's (Continued)

Third Character: Purpose		Fourth Character: Detail		Program Activity									
Code	Contract Purpose	Code	Detail	1-Processing		2-Servicing		3-Custodial		4-Acquired		5-Inventory	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
J	Environmental (Contractual or Noncontractual (Note 2) (Continued)	A	Remedial Actions (Notes 3 & 5)									S	R
		B	Removal Actions (Notes 3, 5, & 6)					S	R			S	R
		C	Emergency Response Activities (Notes 3, 5, & 6)					S	R			S	R
		D	Underground Storage Tank Removals (Notes 3, 5, & 6)					S	R			S	R
		E	Underground Storage Tank Corrective Actions (Notes 3 & 5)									S	R
		F	Lead Based Paint Testing and Inspections (Note 5)									S	N
		G	Lead Based Paint Abatement Activities (Note 5)									S	R
		H	Transaction Screen Questionnaire (Note 4)	S	N	S	N	S	R	S	R	S	N
		I	Phase I Environmental Site Assessments (Note 4)	S	N	S	N	S	R	S	R	S	N
		J	Phase II Environmental Site Assessments (Note 4)	S	N	S	N	S	R	S	R	S	N
K	Asset Investigation	1	Large Debt Settlement			S	N						
		2	Debt Settlement			S	N						
L-M	Reserved												
N	Noncontractual Payments (Note 2)	1	Real Estate Taxes			SDC	R	SDC	R	SDC	R	SDC	R
		2	Personal Property Taxes			SDC	R	SDC	R	SDC	R	SDC	R
		3	Insurance			SDC	R	SDC	R	SDC	R	SDC	R
		4	*--Prior and Junior Liens (Note 8)			SDC	N/R	SDC	R	SDC	R	SDC	R
		5	Recording, Filing (Note 8)--*	SDC	N	SDC	N/R	SDC	R	SDC	R	SDC	N
		6	Mediation (State Certified Program)	SDC	N	SDC	N	SDC	R	SDC	R	SDC	N
		7	Land Acquisition									S	R
		8	Authorized Selling Expenses			SDC	R	SDC	R	SDC	R	SDC	R
		9	*--Protective Advance (Note 8)--*			S	N/R	S	R	S	R	S	N

Continued on the next page

Program Authority to Request Contract Services and Make Noncontractual Payments - Recoverability of PLCE's - FLP's (Continued)

Third Character: Purpose		Fourth Character: Detail		Program Activity									
Code	Contract Purpose	Code	Detail	1-Processing		2-Servicing		3-Custodial		4-Acquired		5-Inventory	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
N	Noncontractual Payments (Note 2) (Continued)	A	Utilities					SDC	R	SDC	R	SDC	N
		B	Other										
		C	Selling Points									S	R
		D	Co-Pay/Homestead Appraisals			S	N						
O-X	Reserved												
Y	Managerial	1	Credit Reports	S	R	S	N						
Z	Other	1	Miscellaneous	A	N/R	A	N/R	A	R	A	R	A	N

- Notes:**
- 1) Includes cost reimbursement.
 - 2) An employee does not need a Contracting Officer warrant to process noncontractual charges.
 - 3) These activities are applicable for response actions conducted pursuant to the Comprehensive Environmental Response Compensation and Liability Act, Resource Conservation and Recovery Act, and Toxic Substance Control Act or State laws governed by these statutes. All response actions shall be conducted by environmental professionals.
 - 4) These activities refer to due diligence investigations conducted to evaluate real property for the presence of contamination in loan processing/servicing activities.
 - 5) These activities are conducted on inventory properties and refer to pre-remedial and remedial actions conducted pursuant to environmental statutes listed in Note 3.
 - 6) These activities may be conducted on custodial property to protect the Agency's security interest.
 - 7) District (D) and County (C) program authority is limited to \$15,000 per property; Administrator (A) and State Director (S) have no limit.
 - *--8) Servicing activities should be charged as a recoverable cost, except when a State supplement or opinion from the Regional Attorney provides otherwise.--*

Column (a) - Authorities: A = Administrator; S = State Executive Director; D = District Director; C = Farm Loan Manager; Blank = No Authority

Column (b) - Recoverability: N = Nonrecoverable; R = Recoverable; Blank = No Authority

FLP National Internal Review Guide

A

Contents of This Exhibit

Use this table for completing the following forms.

IF completing...	THEN go to...	ON...
FSA-2103 and FSA-2116	subparagraph B	page 1.
*--FSA-2118 and FSA-2116	subparagraph C	page 16.
FSA-2104 and FSA-2117	subparagraph D	page 21.
FSA-2105	subparagraph E	page 29.
FSA-2119	subparagraph F	page 37
FSA-2120	subparagraph G	page 40
FSA-2106	subparagraph H	page 42
FSA-2121	subparagraph I	page 47
FSA-2107	subparagraph J	page 49
FSA-2108	subparagraph K	page 52
FSA-2109	subparagraph L	page 57--*

B

Completing FSA-2103, Part B and FSA-2116, Part B

Follow this table to complete FSA-2103, Part B and FSA-2116, Part B for reviewing **direct loanmaking**.

Question	Instructions
1	<p><u>Were all components of the assessment addressed by FLM with direct input from the borrower?</u></p> <p>The assessment of the agricultural operation will address the following components as required by FmHA Instruction 1924-B, Section 1924.55(b):</p> <ul style="list-style-type: none"> • type of operation • goals • real estate and facilities • chattel property • business organization and key personnel • historical financial performance • projected budget • planned changes, if any • ability to obtain guaranteed credit.

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
1 (CNTD)	<p>Information may be summarized or restated in an assessment, but the objective of the assessment is to determine the meaning of information and not merely restate facts found elsewhere in the file.</p> <p>The assessment must have input from the borrower and this input must be clearly documented in the file.</p> <p>If documentation can be found in the file to support that the assessment considered all the above components, the reviewer will answer YES. If not, the reviewer will answer NO. If an assessment is not required, the reviewer will answer N/A.</p>
2	<p><u>For an individual applicant, is there sufficient documentation * * * to meet the test for credit requirement before credit is extended?</u></p> <p>FmHA Instruction 1910-A, Sections 1910.4(b)(4) and (c); FmHA Instruction 1941-A, Section 1941.6; FmHA Instruction 1943-A, Section 1943.6; and FmHA Instruction 1945-D, Section 1945.156 set forth the test for credit requirements.</p> <ul style="list-style-type: none"> • OL and FO loans <p>Credit elsewhere points to check include: (1) availability of a guarantee and (2) letters or other written evidence from lenders that the applicant is unable to obtain satisfactory private credit. The above cited instructions provide that FLM must determine by documentation that the applicant cannot obtain a guaranteed loan or if 1 or more of the lenders contacted indicates by written evidence that they would provide credit with a guarantee, the applicant must be advised to apply for a guaranteed loan with that lender.</p> <ul style="list-style-type: none"> • EM loans <p>Applicants requesting EM loans are required to apply for other credit in a manner which is different from other farm loan programs. According to FmHA Instruction 1945-D, Section 1945.156(b)(2)(i)(B), FmHA 1940-38 must be used unless an exception is made under FmHA Instruction 1945-D, Section 1945.156(b)(2)(i)(C). If FmHA 1940-38 is not used, documentation must be in the running record to support the exception not to use FmHA 1940-38. For further guidance, refer to FmHA Instruction 1945-D, Section 1945.156(b) about test for credit requirements for EM loans.</p> <ul style="list-style-type: none"> • Assessment <p>FmHA Instruction 1910-A, Section 1910.4(c) states that if the farm assessment, completed according to FmHA Instruction 1924-B, Section 1924.55, concludes that guaranteed assistance may be available, with or without interest assistance, a prospectus will be sent to area lenders. If a lender indicates interest in providing and financing a guarantee, the application will be handled under the market placement program in 2-FLP, paragraph 72.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
<p>2 (CNTD)</p>	<ul style="list-style-type: none"> Documentation <p>Written documentation, including letters from lenders or records of telephone calls or comments written in the file's running record must indicate the specific reasons, such as 20-percent repayment margin, 50-percent debt-to-asset ratio, or need of a secondary source of collateral, etc., why other credit, including a guarantee or subordination, is not available. FSA-440-32 can be used for test for guarantee and extension of credit if items 25 and 26 are properly completed.</p> <p>If documentation is found in the file, the reviewer will YES. General statements are not acceptable unless the statement refers to information located in the Service Center operational file on other credit. If not, the reviewer will answer NO. Entity applicants will be answered N/A.</p>
<p>3</p>	<p><u>For an entity applicant, has each member provided sufficient documentation to meet the test for credit requirements, as well as the entity as a whole, before credit is extended?</u></p> <p>*--See question 2 for proper FmHA Instruction references.</p> <ul style="list-style-type: none"> OL and FO loans <p>In addition to credit elsewhere points to check as cited in question 2, is there documented evidence--* that the assets and liabilities of all members, individuals, stockholders, partners, or joint operators were considered and used by an applicant in obtaining credit from other sources? FmHA Instruction 1910-A, Sections 1910.4(b)(2)(ii) and (iii) set forth the requirements concerning financial statements for an entity and each member, partner, stockholder, or joint operator. A current personal financial statement from each of the members of a cooperative, partnership, joint operator, or corporation is required.</p> <p>A cooperative, corporation, partnership, or joint operation must be unable to obtain sufficient credit elsewhere, either as an entity or as individual members, stockholders, partners, or joint operators to finance actual needs at reasonable rates and terms, taking into account prevailing private and cooperative rates and terms in or near the community for loans for similar purposes and periods of time.</p> <p>The applicant is required to certify on appropriate forms, and FLM is to verify and document, that credit elsewhere is not available to finance the applicant's actual needs.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
<p>3 (CNTD)</p>	<p>EM loans</p> <p>Entity applicants requesting EM loans are required to apply for other credit in a manner which is different from other farm loan programs. For specific guidance, refer to FmHA Instruction 1945-D, Sections 1945.156(b)(1) and (2) concerning test for credit requirements for EM loans.</p> <p>Assessment</p> <p>FmHA Instruction 1910-A, Section 1910.4(c) states that if the farm assessment, completed according to FmHA Instruction 1924-B, Section 1924.55, concludes that guaranteed assistance may be available, with or without interest assistance, a prospectus will be sent to area lenders. If a lender indicates interest in providing and financing a guarantee, the application will be handled under the market placement program in 2-FLP, paragraph 72.</p> <ul style="list-style-type: none"> Documentation <p>Written documentation, including letters from lenders, is required for EM loans. FLM's will require FmHA 1940-38 unless an exception is made under FmHA Instruction 1945-D, Section 1945.156(b)(2)(i)(C). If FmHA 1940-38 is not used, documentation must be in the running record to support the exception not to use FmHA 1940-38.</p> <p>Records of telephone calls or comments written in the * * * running record must indicate the specific reasons, such as 20-percent repayment margins, 50-percent debt-to-asset ratio, or need of a secondary source of collateral, etc., why other credit is not available.</p> <p>If documentation is found in the file, the reviewer will answer YES. General statements are not acceptable unless the statement refers to information located in the Service Center operational file on other credit. If not, the reviewer will answer NO. Individual applicants will be answered N/A.</p>
<p>4</p>	<p><u>For beginning farmer loans, was the applicant correctly classified as a beginning farmer?</u></p> <p>FmHA Instruction 1941-A, Section 1941.4 and FmHA Instruction 1943-A, Section 1943.4 contain the definition of beginning farmer. Applicants must meet the requirements established under the definition to be considered a beginning farmer.</p> <p>For * * * OL and * * * FO loans, in addition to regular eligibility requirements, an individual or entity must have operated a farm for not more than 10 years. For FO loans, an individual or entity must not own more than 25 percent of the average farm or ranch acreage in the county.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
4 (CNTD)	<p>The beginning farmer applicant must have also agreed to participate in a loan assessment, borrower training, and financial management program as required by regulations.</p> <p>FLM will determine whether an applicant classified as a beginning farmer meets all the criteria set forth in FmHA Instructions 1941-A and 1943-A.</p> <p>If there is no narrative in the running record or no documentation on FmHA 440-2, the reviewer should review the application to determine how many years the applicant has farmed. For FO loans, there also should be documentation that the applicant did not own more than 25 percent of the average farm or ranch acreage at the time of loan approval.</p> <p>*--If the applicant meets all the requirements to be classified as a beginning farmer, the reviewer will answer YES. If not, the reviewer will answer NO.</p>
5	<p><u>Has the FLM determined and documented that the applicant has selected, established, and is--* maintaining the required record keeping system?</u></p> <p>FmHA Instruction 1924-B, Section 1924.58 states that all borrowers engaged in farming must maintain and use farm records. Borrowers must select and are required to maintain a record keeping system which provides, as a minimum, a record of cash receipts and expenditures, end of year balance sheets, and an income statement. Failure to use and maintain an adequate record keeping system is grounds for denial of loanmaking and servicing assistance.</p> <p>The record system may be * * * any * * * system of the borrower's choice that provides similar information.</p> <p>*--FLM will determine and document in the running record whether applicants have selected, established, and are maintaining the required record keeping system.</p> <p>If FLM has determined and documented that the applicant has selected, established and is maintaining--* the required record keeping system, the reviewer will answer YES. If not, the reviewer will answer NO.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
6	<p><u>Have the environmental regulations been followed?</u></p> <p>* * *</p> <p>For all loans, the reviewer will ascertain if FmHA 1940-22 is in the file, properly completed, and supported by NRCS-CPA-026E and/or AD-1026A, which shows all determinations have been made, and that Category I and II Environmental Assessments have been properly completed when necessary.</p> <p>RD Instruction 1940-G, Exhibit M, Section 8 requires that FLM will document on the reverse of FmHA 1940-22 as applicable: (a) whether or not highly erodible land, wetland, or converted wetland is present; (b) if any exemption(s) applies; (c) the status of the applicant's eligibility for a FSA loan under this exhibit; and (d) any steps the applicant must take before loan approval to retain or regain its eligibility.</p> <p>FmHA 1940-22, question 3 requires that a copy of NRCS-CPA-026E be attached to the document. If NRCS-CPA-026E is not found in the file, an AD-1026A will be acceptable in its place as long as AD-1026A shows that wetland and highly erodible land determinations have been made on all annually tilled cropland tracts. AD-1026 serves as a continuous certification unless the applicant gives written notice that changes in the operation occurred that may affect compliance.</p> <p>In some cases, there may be documentation on FmHA 1940-22 that the producer's file (former ASCS file) was checked and the appropriate NRCS-CPA-026E and AD-1026A were up-to-date. This is acceptable.</p> <p>If FmHA 1940-22 was properly completed with appropriate attachments, or if a Class I/II Environmental Assessment has been properly completed, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
7	<p><u>*--Were realistic commodity prices used to develop FSA-431-2?</u></p> <p>The source of prices used in tables D and E of FSA-431-2 must be according to FmHA Instruction 1924-B, Section 1924.56(b)(2) (State-established unit prices). If State-established prices are not used, the prices used must be fully documented.</p> <p>If realistic commodity prices were used and documented, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
8	<p><u>*--Were realistic commodity/livestock yields used in the projected FSA-431-2 and was the basis for their use documented?</u></p> <p>Source of yields in tables D and E of FSA-431-2 must be clearly documented in the file and be according to FmHA Instruction 1924-B, Section 1924.56(b)(1).</p> <p>If realistic commodity/livestock yields were used and documented, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
9	<p><u>Were realistic family living expenses used to develop FSA-431-2?</u></p> <p>Family living expenses in Table F of FSA-431-2 will be based on the borrower's own records. Any changes to this must be clearly documented in the running record.</p> <p>If realistic family living expenses were used, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the borrower is an entity, the reviewer will answer <u>N/A</u>.</p>
10	<p><u>Were realistic operating expenses used to develop FSA-431-2?</u></p> <p>Operating expenses in Table G of FSA-431-2 will be based on accurate, verifiable information. Historical information will be used as a guide, according to FmHA Instruction 1924-B, Section 1924.56(b)(1).</p> <p>If realistic operating expenses were used, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
11	<p><u>Was nonfarm and other-farm income verified and properly included on FSA-431-2?--*</u></p> <p>Nonfarm income must be verified when used in FSA-431-2. Verification of nonfarm income is required as set out in FmHA Instruction 1910-A, Section 1910.4(b)(8) and may include RD 1910-5, copies of W-2's, documentation in the running record, etc. The file should contain documentation of other farm income. Verification may include written or verbal projection of FP benefits, tax records, documentation in the running record, historical records to support custom work, etc. The reviewer should also check past history of employment and nonfarm income.</p> <p>If nonfarm income and other-farm income are realistically completed, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
12	<p><u>Does the debt repayment schedule reflect correct amounts and all creditors?</u></p> <p>*--Table K of FSA-431-2 must be completed to reflect payments to be made during the period covered by the plan.--*</p> <p>On FSA-431-2, enter in Table K all debts shown in Table A requiring 1 or more payments during the year except those being refinanced with FSA loan funds. Planned new debts, including FSA's loans with payments due during the year, should also be entered.</p> <p>* * *</p> <p>a. All delinquencies and amounts previously due should be included as due this year.</p> <p>b. Show the month, year and source of the planned repayments such as "crops," "livestock," or "other income" from which payments are planned.</p> <p>If all debt payments are listed correctly in Table K, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
13	<p><u>*--Was FSA-431-2 feasible at the time of the loan approval?</u></p> <p>According to FmHA Instructions 1941-A, 1943-A, and 1945-D, the loan approval official will determine whether the proposed budget is feasible. According to FmHA Instruction 1924-B, Section 1924.55(a), a feasible plan must show the applicant will be able to: (1) pay all operating expenses and taxes, (2) meet necessary payments on all debts, and (3) provide family living expenses for the individual or entity.</p> <p>If any of the questions 7 through 12 were noted as not being realistic (too high or too low), the reviewer must make mathematical computations to determine whether realistic inputs would have changed the cash flow outcome.</p> <p>If FSA-431-2 was feasible at the time of loan approval, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
14	<p><u>Does the loan file contain verification of the applicant * * * debts, and the creditor's security interest in collateral?</u></p> <p>FmHA Instruction 1910-A, Section 1910.4(b) requires FSA to verify information provided by the applicant * * *. Sections 1910.4(b)(12) * * * reference using FSA-440-32 * * * to obtain credit information, including debt balances and collateral interest from creditors and merchants for OL and FO applicants * * *. FmHA 1940-38 is to be used for all EM loan applications, unless an exception is made.</p> <p>If FSA-440-32 is not used, the reviewer should search the * * * running record, written correspondence, credit reports, and lien searches to verify debt balances and liens on collateral.</p> <p>If the reviewer finds the loan approval official has verified debt balances and creditor collateral interest * * * which corresponds to the applicant's/borrower's financial statement, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
15	<p><u>Has FSA-1962-1 been properly completed?</u></p> <p>*--Important: FSA-1962-1 must not be completed in pencil.--*</p> <p>RD Instruction 1962-A, Section 1962.16 states that FLM is responsible for maintaining a current record of each borrower's security. This includes all dispositions and acquisitions of security. RD Instruction 1962-A, Section 1962.17 requires that the borrower always account for all security and will be instructed of this requirement when the loan is made, and as often afterward as necessary. FmHA Instruction 1924-B, Section 1924.56(a)(1) states that FSA-1962-1 does not expire until proper disposition of the listed chattel security has been accomplished, or the remaining chattel security has been transferred to a new FSA-1962-1.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
15 (CNTD)	<p>FmHA Instruction 1924-B, Section 1924.56(a)(1) requires that at least 60 calendar days before the end of the borrower's business year, or farm planning period, FLM will send borrowers with loans secured by chattels a FSA-1962-1, a letter similar to Exhibit A of FmHA Instruction 1924-B, with Attachment 1 to Exhibit A. A new FSA-431-2 or other similar plan of operation acceptable to FSA, and a new FSA-1962-1 will be prepared for the upcoming year of operation. Table K of FSA-431-2 and FSA-1962-1 must be consistent with one another reflecting the amounts and when payments are to be made to each creditor and the source of the funds with which the payment is to be made and cover the same time period. FmHA Instruction 1924-B, Sections 1924.56(b)(3) and (4) state when FSA-1962-1 will be revised.</p> <p>When chattel security property is disposed of, its disposition will be recorded on FSA-1962-1, and authorized by initialing FSA-1962-1. This includes, for example, sale proceeds on hand and crops in storage.</p> <p>If the reviewer finds deviations in completing FSA-1962-1, the reviewer will answer <u>NO</u>. If all requirements are met, the reviewer will answer <u>YES</u>. If real estate is the only security for the loan being reviewed, the review will answer <u>N/A</u>.</p>
16	<p><u>Have lien searches and/or title opinions been obtained?</u></p> <p>FmHA Instruction 1941-B, Section 1941.63(a) states that "a lien search will be obtained usually at the time the financing statement is filed or recorded. FSA 440-13 or other lien search forms will be used."</p> <p>Under UCC, lien searches are necessary in making subsequent loans or subordinations if an additional financing statement is required.</p> <p>Lien searches also may be obtained in connection with processing applications when FLM determines such searches are necessary on an individual case basis. Title opinions or title insurance for real estate secured loans are generally obtained as set out in RD Instruction 1927-B, Sections 1927.55(d) and (e). Title opinions do not have to be obtained on real estate that is being taken as additional security.</p> <p>* * *</p> <p>If lien searches and/or title opinions have been obtained, or if the reviewer determines that lien searches were not necessary for * * * subsequent loans, or State laws and State supplements reflect that they were not necessary, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
17	<p><u>Have the required security instruments been properly prepared, filed, and maintained?</u></p> <p>*--RD Instruction 1927-B, Section 1927.57 and FmHA Instruction 1941-B set forth the preparation--* and maintenance of security instruments for loans secured by real estate. RD Instruction 1962-A, Section 1962.5 sets forth the preparation and maintenance of security instruments for loans secured by chattels. The final title opinion, lien search documents, financing statements, termination statements, and security agreements will indicate FSA's lien priority.</p> <p>*--If FSA prepared, filed, and maintained the proper lien instruments on chattel and real estate security to protect the Government's interest, the reviewer will answer <u>YES</u>. If FSA does not have the proper lien instruments, FSA's lien is not recognized on legal instruments, financing statements have expired, or the original security agreements have been adulterated, the reviewer will answer <u>NO</u>. The reviewer will answer <u>N/A</u> if question 16 was answered <u>NO</u>.--*</p>
18	<p><u>Are appraisals prepared when required and in accordance with prescribed procedures?</u></p> <p>* * *</p> <p>FmHA Instruction 1941-A, Section 1941.25(a) sets forth the requirements for completing chattel appraisals for loans secured with chattels. When chattels are taken as the primary security for an initial OL loan a chattel appraisal will be completed. Chattel appraisals are also required on subsequent OL loans, (1) when refinancing chattel debts; and (2) if the appraisal is more than 2 years old.</p> <p>FmHA Instruction 1941-A, Section 1941.25(a)(4) and FmHA Instruction 1943-A, Section 1943.25(c)(1) provide that when real estate is taken as the primary security for an OL or FO loan, a real estate appraisal will be completed.</p> <p>As provided in Notice FLP-174, appraisals are no longer required for EM loans.</p> <p>FmHA Instruction 1941-A, Section 1941.25(a)(3) and FmHA Instruction 1943-A, Section 1943.25(c)(1) provide that real estate appraisals are not required on property taken as additional security for OL or FO loans.</p> <p>If the appraisal * * * is completed according to 1-FLP, * * * the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If not required, the reviewer will answer <u>N/A</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
19	<p><u>Was security adequate for the loan?</u></p> <p>FmHA Instruction 1941-A, Section 1941.19; FmHA Instruction 1943-A, Section 1943.19; and FmHA Instruction 1945-D, Section 1945.169 set forth security requirements for OL, FO, and EM loans.</p> <ul style="list-style-type: none"> • OL loans <p>Security must be available for the loan. Any additional security available up to and including 150 percent of the loan amount also will be taken. Security in excess of 150 percent will be taken only when it is not practical to separate the property.</p> <p>The loan must be secured by a first lien on all chattel property or products acquired, produced, or refinanced with loan funds.</p> <p>A lien will be required on an applicant's real estate when chattel security alone is not at least equal to 150 percent of the amount of the loan.</p> <ul style="list-style-type: none"> • FO loans <p>Each FO loan will be adequately secured by real estate. The total amount of security taken will be 150 percent of the loan amount, or all the real estate owned by the applicant. A loan will be considered adequately secured when all real estate is taken and the security is at least equal to the loan amount.</p> <ul style="list-style-type: none"> • EM loans <p>For operating type purposes, a first lien on all chattel property or products acquired, produced, or refinanced must be obtained. Additional chattel security available up to and including 150 percent of the loan amount also will be taken. A lien on the applicant's real estate will be required when chattel security alone is not at least equal to 150 percent of the amount of the loan.</p> <p>For real estate type purposes, a mortgage will be taken on all real estate repaired or rehabilitated, refinanced, or improved with EM funds. The total amount of security required will be the lesser of either 150 percent of the loan amount, or all the real estate owned by the applicant. A loan will be adequately secured when the real estate security for the loan is at least equal to the loan amount. Chattel security will be obtained when the best lien obtainable on all real estate does not provide primary security for the loan.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
19 (CNTD)	<p>A lien will be taken on all nonessential assets, with an aggregate value exceeding \$5,000, if an applicant cannot or will not dispose of the assets and use the proceeds to reduce the FSA credit needs before loan closing.</p> <p>If adequate security is not available because of the disaster, under certain conditions repayment ability along with available security can be considered as adequate collateral for loan approval. Notice FLP-174 outlines conditions when an EM loan can be approved if primary security is not available and the applicant's repayment ability will be used as security.</p> <p>The reviewer should ensure that adequate security for the loan has been obtained depending upon the loan program, and the purposes for which the loan funds are being used.</p> <p>If all requirements have been met, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
20	<p><u>*--Is there a properly completed FmHA 1945-22 in the file? (EM loans only.)</u></p> <p>FmHA Instruction 1945-D, Section 1945.161(b) requires that the applicant's statement of loss or damage will be obtained in support of their application by having the applicant complete, sign, and date--* FmHA 1945-22.</p> <p>FmHA Instruction 1945-D, Section 1945.163 requires that physical and production losses because of disaster will be reported by applicants on FmHA 1945-22. The applicant will report, on FmHA 1945-22, total acres and actual yields for all crops planted and/or grown in the disaster year, and the number of all animal units and production per animal unit being maintained at the time of the disaster. This information will come from the applicant's own records or from FSA records of acres grown and proven actual yields in the disaster year. These are records FSA previously maintained and should be reflected on FmHA 1945-29 or otherwise documented. Applicants will also report their previous 5-year production levels. If actual yields are not available for all of the 5 crop years, the applicant will use a combination of actual records and FSA actual yields located in the producer's file. The disaster year actual yield will be used as the yield for those years for which the applicant has no production records to determine the normal year's yields. Only if the applicant has been farming for less than 5 years, did not produce a commodity for any particular year because of his/her typical crop rotation or his/her actual records were destroyed, will the county or state average yield be used.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
20 (CNTD)	<p>Applicants are required to certify, subject to penalties of law, that the accuracy and completeness of the information provided in FmHA 1945-22 can be supported by written records. Applicants are asked to identify on FmHA 1945-22 any single farming enterprise they consider basic to the success of their total farming operation, and in which they have suffered a disaster loss. When an applicant's certified production loss claims seem unreasonable, they will be verified and the findings documented. Physical loss claims will be verified by requiring the applicant to provide evidence of ownership and proof of the property loss or damage. Proof of ownership could be by deeds, mortgages, financial statements, insurance policies, and the like. Proof of the loss or damage could be by the applicant's own pictures, written certification by other persons, or when practical by visual inspections by FSA employees.</p> <p>If the file does not have a properly completed FmHA 1945-22, and all requirements are not met, the reviewer will answer NO. If all requirements are met, the reviewer will answer YES. If not an EM loan, the reviewer will answer N/A.</p>
21	<p>*--Is FmHA 1945-29 fully completed and signed, and does it match FmHA 1945-22? (For EM loans only.)--*</p> <p>FmHA Instruction 1945-D, Section 1945.161(c) requires FLM to send a separate FmHA 1945-29 to the appropriate Service Center for verification of registered farm(s) that the applicant has certified as being part of the disaster year's operation. Records of acres of crops planted/grown in the disaster year, actual (proven) yields in the disaster year, established yields for the disaster year, emergency payments, and the other information requested on FmHA 1945-29 must be obtained. Additionally, because acreage and yield reporting to FSA is now optional, other sources such as crop insurance should also be checked for verification of disaster acreages and yields. It is also imperative that FmHA 1945-29 and crop insurance be documented as to whether the producer has received a CAT or NAP payment. Using FmHA 1945-29 is optional for EM loans made for physical losses; however, it is required for EM loans made for production losses on crops covered by FP. Information obtained on FmHA 1945-29 will be cross checked with information provided by the applicant on FmHA 1945-22 according to FmHA Instruction 1945-D, Section 1945.163(a)(2)(ii). When adjustments are necessary, changes will be well documented by FLM. FmHA 1945-29, Section III must be completed and a copy sent to the appropriate Service Center to be placed in the program file at the time the loan is approved or rejected.</p> <p>If the reviewer finds that FmHA 1945-29 is incomplete or the file does not include adequate documentation to support changes made, the reviewer will answer NO. If FmHA 1945-29 is completed properly, and FmHA 1945-29 and FmHA 1945-22 match, the reviewer will answer YES. If not an EM loan, the reviewer will answer N/A.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

B
Completing
FSA-2103, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
22 (CNTD)	<p><u>Are disaster loss calculations properly verified by a different Service Center employee and does *--FmHA 1945-26 include other disaster compensation review? (For EM loans only.)--*</u></p> <p>FmHA Instruction 1945-D, Section 1945.163(a)(2)(ii) requires information certified on FmHA 1945-22 for the disaster year for all single enterprises which suffered a loss because of the disaster, will be transferred to the appropriate places on FmHA 1945-26. FmHA 1945-26 must include other disaster compensation. It is imperative that all sources (FSA FP and RMA records) be checked for the receipt of a CAT or NAP payment.</p> <p>FmHA Instruction 1945-D, Section 1945.183(a)(3) discusses verification before approval. All calculations and information on FmHA 1945-22 and FmHA 1945-26 will be checked by a different Service Center employee. The verifying employee will initial and date FmHA 1945-26. If any error(s) is detected, FLM will make the necessary corrections and a computer printout of the corrected FmHA 1945-26 will be signed and dated by FLM and filed in the applicant's file.</p> <p>FmHA Instruction 1945-D, Sections 1945.183(a)(2) and (4)(i), (ii), and (iii) discuss how FSA verifies crop insurance and SBA benefits received or to be received for disaster losses to eliminate duplication of benefits.</p> <p>If all information has been checked and verified by a different FSA employee, and contacts made with RMA and SBA, the reviewer will answer <u>YES</u>. If the reviewer finds deviations and cannot find the verification required, the reviewer will answer <u>NO</u>. If an EM loan, the reviewer will answer <u>N/A</u>.</p>

FLP National Internal Review Guide (Continued)

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Completing FSA-2118, Part B and FSA-2116, Part B Follow this table to complete FSA-2118, Part B and FSA-2116, Part B for reviewing **Lo-Doc direct loanmaking**.

Question	Instructions
1	<p><u>Does the applicant meet the eligibility requirements to obtain a Lo-Doc loan?</u></p> <p>The applicant must meet the eligibility requirements according to FmHA Instruction 1941-A, Section 1941.12. According to FmHA Instruction 1910-A, Section 1910.4 (c), the applicant must also:</p> <ul style="list-style-type: none"> • be current on all loan payments to FSA and all other creditors • have not received primary loan servicing or disaster set-aside on any FSA debt within the past 5 years • meet 1 of the following criteria: <ul style="list-style-type: none"> • the loan request is \$50,000 or less and the total outstanding FSA operating loan debt at the time of loan closing will be less than \$100,000 • the loan is requested to pay annual operating expenses and the applicant is an existing FSA borrower who has received and repaid as scheduled at least 2 previous annual operating loans from the agency. <p>Applicants who do not meet these requirements may be considered for a regular OL provided they meet the current requirements in FmHA Instruction 1941-A, Section 1941.12.</p> <p>If documentation can be found in the case file to support the above eligibility requirements, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
2	<p><u>Was the Lo-Doc loan made for authorized purposes?</u></p> <p>Lo-Doc for \$50,000 or less may be used for any authorized operating expense allowed in FmHA Instruction 1941-A, Section 1941.16(i) except refinancing debts.</p> <p>Note: Refinancing a debt for current year's production expenses is acceptable as an annual operating expense.</p> <p>Lo-Doc's made to recurring applicants requesting annual OL assistance can only be used for the authorized annual operating expense listed below.</p> <ul style="list-style-type: none"> • FmHA Instruction 1941-A, Section 1941.16 (c) - Payment of annual operating expenses, examples of which include, but are not exclusively limited to feed, seed, fertilizer, pesticides, farm or ranch supplies, cooperative stock, and cash rent. • FmHA Instruction 1941-A, Section 1941.16 (h) - Payment of farm, ranch or home needs, including family subsistence. A portion of the loan is available to the borrower for use outside of a supervised bank account. This portion is the lesser of 10 percent of OL, \$5,000, or the amount needed to meet the subsistence needs of the family for a 3 month period. <p>If documentation can be found in the loan file to support the required authorized loan purposes, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2118, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
3	<p><u>Has FLM determined and documented that the applicant has selected, established, and is maintaining the required record keeping system?</u></p> <p>FmHA Instruction 1924-B, Section 1924.58 states that all applicants engaged in farming must maintain and use farm records. Applicants must select and are required to maintain a record keeping system that provides, as a minimum, a record of cash receipts and expenditures, end-of-year balance sheets, and an income statement. Failure to use and maintain an adequate record keeping system is grounds for denial of loanmaking and servicing assistance.</p> <p>The record system may be any system of the applicant's choice that provides similar information.</p> <p>FLM will determine and document in the running record whether applicants have selected, established, and are maintaining the required record keeping system.</p> <p>If FLM has determined and documented that the applicant has selected, established, and is maintaining the required record keeping system, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
4	<p><u>Have lien searches been obtained and are security instruments filed and being maintained properly?</u></p> <p>FmHA Instruction 1941-B, Section 1941.63(a) states that a lien search will be obtained usually at the time the financing statement is filed or recorded. FSA 440-13 or other lien search forms will be used.</p> <p>FmHA Instruction 1941-B, Section 1941.57(d) requires filing security instruments/financing statements.</p> <p>FmHA Instruction 1962-A, Section 1962.5 sets forth the preparation and maintenance of security instruments for loans secured by chattels.</p> <p>If lien searches have been obtained, and security instruments properly filed, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
5	<p><u>Was FSA-431-2 feasible at the time of the loan approval?</u></p> <p>FmHA Instruction 1924-B, Section 1924.55(a) states that FLM will determine whether the proposed FSA-431-2 is feasible. A feasible plan must show the applicant will be able to:</p> <ul style="list-style-type: none"> • pay all operating expenses and taxes • meet necessary payments on all debts • provide family living expenses for the individual or entity. <p>If FSA-431-2 was feasible at the time of loan approval, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2118, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
6	<p><u>Were all components of the assessment addressed by FLM with direct input from the applicant?</u></p> <p>The assessment of the agricultural operation will address the following components as required by FmHA Instruction 1924-B, Section 1924.55(b):</p> <ul style="list-style-type: none"> type of operation • goals • real estate and facilities • chattel property • business organization and key personnel • historical financial performance • projected budget • planned changes, if any • ability to obtain guaranteed credit. <p>Information may be summarized or restated in an assessment, but the objective of the assessment is to determine the meaning of information and not merely restate facts found elsewhere in the file.</p> <p>The assessment must have input from the applicant and this input must be clearly documented in the file.</p> <p>If documentation can be found in the file to support that the assessment considered all the above components, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If an assessment is not required, the reviewer will answer <u>N/A</u>.</p>
7	<p><u>Has FSA 1962-1 been properly completed?</u></p> <p>Important: FSA 1962-1 must not be completed in pencil.</p> <p>RD Instruction 1962-A, Section 1962.16 states that FLM is responsible for maintaining a current record of each borrower's security. This includes all dispositions and acquisitions of security.</p> <p>RD Instruction 1962-A, Section 1962.17 requires that the applicant always account for all security and will be instructed of this requirement when the loan is made, and as often afterward as necessary.</p> <p>FmHA Instruction 1924-B, Section 1924.56(a)(1) states that FSA-1962-1 does not expire until proper disposition of the listed chattel security has been accomplished, or the remaining chattel security has been transferred to a new FSA-1962-1.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2118, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
7 (CNTD)	<p>FmHA Instruction 1924-B, Section 1924.56(a)(1) requires that at least 60 days before the end of the borrower's business year, or farm planning period, FLM will send borrowers with loans secured by chattels a FSA-1962-1 and a letter similar to FmHA Instruction 1924-B, Exhibit A, and Attachment 1. A new FHP or other similar plan of operation acceptable to FSA, and a new FSA-1962-1 will be prepared for the upcoming year of operation. FSA-431-2, Table K and FSA-1962-1 must be consistent with one another, reflecting the amounts and when payments are to be made to each creditor and the source of the funds with which the payment is to be made and cover the same time period. FmHA Instruction 1924-B, Sections 1924.56(b)(3) and (4) state when FSA-1962-1 will be revised.</p> <p>When chattel security property is disposed of, its disposition will be recorded on FSA-1962-1, and authorized by initialing the form. This includes, for example, sale proceeds on hand and crops in storage.</p> <p>The Agency must follow up with a request for payment when security is sold rather than the due dates on promissory note or notes. Payment and follow-ups will be expected according to the date on FHP and FSA-1962-1.</p> <p>If:</p> <ul style="list-style-type: none"> the reviewer finds deviations in completing FSA-1962-1, the reviewer will answer NO all requirements are met, the reviewer will answer YES real estate is the only security for the loan being reviewed, the review will answer N/A.
8	<p><u>Have the environmental regulations been followed?</u></p> <p>RD Instruction 1940-G sets forth FSA's environmental policies and also provides the procedures and guidelines for preparing environmental documents.</p> <p>RD Instruction 1940-G, Section 1940.303 states that FSA will consider environmental quality as equal with economic, social, and other relevant factors in program development and decision making process. For all loans, the reviewer will ascertain if FmHA 1940-22 is in the file, properly completed, and supported by NRCS-CPA-026E and/or AD-1026A which shows all determinations have been made, and that Category I and II Environmental Assessments have been properly completed when necessary.</p> <p>RD Instruction 1940-G, Exhibit M, Section 8 requires that FLM will document on the reverse of FmHA 1940-22 as applicable:</p> <ul style="list-style-type: none"> whether or not highly erodible land, wetland, or converted wetland is present if any exemption or exemptions apply the status of the applicant's eligibility for a FSA loan under this Exhibit any steps the applicant must take before loan approval to retain or regain its eligibility.

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2118, Part B
and FSA-2116,
Part B
(Continued)

Question	Instructions
8 (CNTD)	<p>FmHA 1940-22, question 3 requires that a copy of NRCS-CPA-026E be attached to the document. If NRCS-CPA-026E is not found in the file, AD-1026A will be acceptable in its place as long as AD-1026A shows that wetland and highly erodible land determinations have been made on all annually tilled cropland tracts. AD-1026 serves as a continuous certification unless the producer gives written notice that changes in the operation have occurred that may affect compliance.</p> <p>In some cases, there may be documentation on FmHA 1940-22 that the producer's file (former ASCS file) was checked and the appropriate NRCS-CPA-026E and AD-1026-A were up-to-date. This is acceptable.</p> <p>If FmHA 1940-22 was properly completed with appropriate attachments, or if a Class I and II Environmental Assessment has been properly completed, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2104, Part B and FSA-2117, Part B Follow this table to complete FSA-2104, Part B and FSA-2117, Part B for reviewing **guaranteed loanmaking**.

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Question	Instructions
1	<p><u>Has FSA-1980-25 been properly completed and the required items obtained?</u></p> <p>SEL's and CLP lenders: 2-FLP, paragraph 69 discusses the submission requirements for applications from SEL and CLP lenders. This information is also summarized in the table in 2-FLP, subparagraph 69.7 A.</p> <p>Reviewers must verify that all necessary information has been submitted. The information will vary depending on both loan amount and lender type. Reviewers should check the file specifically to determine whether the land has been adequately described so that Agency officials can do needed research before making the loan decision. The reviewer should also be able to ascertain which balance sheet and cash flow statement were used for the loan decision.</p> <p>All applicable blanks on FSA-1980-25 should be completed, and the lender and the loan applicant or applicants must sign the form in the spaces provided. Details in FSA-1980-25, Parts C through G, if applicable, should be accurate and complete.</p> <p>If all required application information is in the file and the form has been properly completed, the reviewer will answer YES. Information need not be provided on the form if it is otherwise made available. If not, the reviewer will answer NO. If questions not critical to the loan decision were not completed, the reviewer will answer YES but provide specific remarks in the comments section.</p> <p>For PLP lenders: 2-FLP, paragraph 70 requires that PLP lenders submit FSA-1980-28, a loan narrative, and any other items agreed to by the lender in the lender's CMS. All applicable blanks on FSA-1980-28 should be completed, and the lender and the loan applicant or applicants must sign the form in the spaces provided.</p> <p>If all required information is in the file, the reviewer will answer YES. Information need not be provided on the form if it is otherwise made available. If not, the reviewer will answer NO. If questions not critical to the loan decision were incomplete, the reviewer will answer YES but provide specific remarks in the comments section.</p>
2	<p><u>Has a loan narrative been completed by the lender which thoroughly evaluates the operation's physical, managerial, and financial resources?</u></p> <p>SEL's and CLP lenders: 2-FLP, subparagraph. 69.5 C states that a complete application will include a narrative description of the lender's underwriting of the loan. The narrative must contain analysis of any application data that are out of the ordinary or at variance with normal practices for the type of operation and region. The narrative must show evidence that the credit has been analyzed. It should contain information specific to the loan in question, rather than boilerplate language. However, information may be less detailed for a producer who already has a guaranteed or direct loan. The narrative should address the following, as applicable:</p> <p>Note: All of the following items do not have to be addressed for the reviewer to answer YES.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
<p>2 (CNTD)</p>	<ul style="list-style-type: none"> • description of the farming operation • assessment of adequacy of the collateral • discussion of applicant's financial condition and projected repayment ability • short and long-term goals of the operation • applicant's reporting requirements • lender's servicing plan • conditions related to loan renewal if loan contains balloon payments • description of how applicant meets eligibility criteria. <p>SEL narratives should focus on describing those items not supplied with the application, such as the type of operation, producer history, and cash flow assumptions that are not apparent from looking at the historical documentation. It is not necessary to restate information otherwise known to FSA or supplied elsewhere in the application.</p> <p>CLP lender narratives will be more detailed than SEL narratives since there will be no history or verifications for FSA to consider when analyzing the applicant's financial condition. The CLP narrative should describe how the cash flow budget was developed and any assumptions that were used, and should answer questions that would typically be asked by a credit official. Reviewers should also expect to see a description of the operation, financial trends, and the strengths and weaknesses of the loan.</p> <p>PLP lenders: 2-FLP, subparagraph 70 A states that a complete application for PLP lenders will consist of a loan narrative which includes a discussion of the 5 C's of credit - character, capacity, capital, collateral, and conditions which are described as follows.</p> <p><u>Character</u></p> <ul style="list-style-type: none"> • Has the lender discussed the loan applicant's credit history and any other factors about the borrower's willingness to repay the loan? • Has the lender included a general description of the proposed loan and of the farming operation? <p><u>Capacity</u></p> <ul style="list-style-type: none"> • Has the lender demonstrated the loan applicant will be able to repay the loan? <p><u>Capital</u></p> <ul style="list-style-type: none"> • Has the lender discussed the loan applicant's present financial condition? • Are ratios such as debt to asset, working capital, etc. trending upward?

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
<p>2 (CNTD)</p>	<p><u>Collateral</u></p> <ul style="list-style-type: none"> Has the lender demonstrated that the proposed collateral for the loan is adequate? Is the life of the collateral consistent with the term of the loan? Would other collateral have been more appropriate? <p>If collateral is weak, were assets left unencumbered that the lender should have taken as security to better protect its and the Government's interests?</p> <p><u>Conditions</u></p> <ul style="list-style-type: none"> Has the lender described any special conditions, limitations, or reporting requirements that will be placed on the producer? Has the lender described any unique servicing actions that it plans to use to monitor this loan? <p>Note: Routine servicing requirements described in the PLP lenders CMS do not need to be discussed.</p> <p>PLP lender narratives should focus on describing how the loan proposal conforms to the standards in the lender's CMS and why the lender considers the loan to be viable. Reviewers should expect to see a description of the operation and the strengths and weaknesses of the proposal. The depth of the narrative, along with the information supplied, should be such that a reasonable person, knowledgeable and experienced in the extension of credit, would understand the loan and conclude that the credit risk was sufficiently analyzed.</p> <p>If the lender's narrative is sufficient to support the approval decision, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
<p>3</p>	<p><u>Is there a properly completed balance sheet included with the application, including verifications where applicable?</u></p> <p>2-FLP, subparagraphs 69.5 A and D require SEL's and CLP lenders to submit a balance sheet for the loan applicant. Reviewers should confirm that significant debts listed on the balance sheet have been verified with a credit report and that balances and payments have been correctly listed. Guarantee requests over \$50,000 from SEL's should contain verification of all debts over \$1,000.</p> <p>For SEL's and CLP lenders, if the file includes a properly completed balance sheet, the reviewer will answer <u>YES</u>.</p> <p>For PLP lenders, if a completed balance sheet is not included in the file, the reviewer will answer <u>N/A</u>. If a balance sheet has been provided to FSA, reviewers will answer <u>YES</u> and make a comment that the lender has exceeded the requirements.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
4	<p><u>Does the file contain a properly completed cash flow budget?</u></p> <p>2-FLP subparagraphs 69.5A and E require that SEL's and CLP lenders submit a cash flow budget that lists all anticipated cash inflows and outflows to be incurred by the producer during the budgeted period. For loans of \$50,000 or more, the budget must itemize income and expenses by category.</p> <p>For SEL's and CLP lenders, if the file includes a properly completed cash flow budget as described above, the reviewer will answer <u>YES</u>.</p> <p>For PLP lenders, if a completed cash flow budget is not included in the file, the reviewer will answer <u>N/A</u>. If a cash flow budget has been provided to FSA, the reviewer will answer <u>YES</u> and make a comment that the lender has exceeded the requirements.</p>
5	<p><u>Is income supported?</u></p> <p>Reviewers should examine the file to determine whether yield history and commodity prices are supported and nonfarm income and FSA program payments have been verified.</p> <p>For SEL's: 2-FLP, subparagraph 152 B requires that projected income and expenses used to determine a feasible plan must be based on the applicant's proven record of production and financial management. Yields must be based on the applicant's 3-year history or within the range of a typical operation. These yields must be supported by reliable data, and should reflect production trends, changes in the operation, capacity of the soil and facilities, and industry norms for the type of operation. Deviations from the norm should be appropriate and justified by the lender and the FSA loan official. Reviewers should determine whether an adjustment should have been made instead of using a simple 3-year average. Yield history and supporting documentation must be in the FSA file for loans in excess of \$50,000. If nonfarm income is being relied upon for repayment, verification of that income should also be included in the file for loans in excess of \$50,000.</p> <p>If the file includes documentation or discussion to support the projected yields, the reviewer will answer <u>YES</u>. If the documentation or discussion is inadequate, missing, or does not support the projected yields, the reviewer will answer <u>NO</u>.</p> <p>For CLP lenders, 2-FLP, subparagraph 153 B requires that the applicant's historical performance should be discussed in the loan narrative, addressing the information above, as appropriate. Income projections may be based on financial history only. Supporting documentation and yield history does not need to be in the file; but the lender's narrative should include an analysis of the applicant's financial condition and projected repayment, including any deviations from historical performance.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
5 (CNTD)	<p>If the file includes discussion to support the projected yields, the reviewer will answer YES. If the file contains historical data, the reviewer should include a comment that the lender exceeded the requirements. If the discussion is inadequate or does not support the projected yields, the reviewer will answer NO. If there is no explanation from a CLP lender about how the cash flow was developed, the reviewer will also answer NO. If the CLP lender based its cash flow projections on financial history only, the reviewer will answer N/A.</p> <p>For PLP lenders, the reviewer will answer N/A. If historical data was provided, reviewers should include a comment that the lender exceeded the requirements.</p>
6	<p><u>Are expenses supported?</u></p> <p>For SEL's, 2-FLP, subparagraph 152 B requires that expenses be based on the applicant's proven record of production and financial management. Expenses should be based on the operation's past 3 years' data, which must be in the file. Expenses should reflect production trends, changes in the operation, capacity of the soil and facilities, and industry norms for the operation. If the projected income/expense ratio is not consistent with the producer's history, deviations should be appropriate and justified in the narrative by the lender and the FSA loan official. Reviewers should determine whether an adjustment should have been used instead of using the simple 3-year average.</p> <p>If the file includes documentation or a discussion to support the projected expenses, the reviewer will answer YES. If the documentation or discussion is inadequate, missing or does not support the projected expenses, the reviewer will answer NO.</p> <p>For CLP lenders: 2-FLP, subparagraph 153 B requires that expenses be based on the applicant's financial history and proven record of financial management. Supporting documentation does not need to be in the file, but the lender's narrative should describe the method used to project expenses and the information above, as appropriate.</p> <p>If the file includes a discussion to support the projected expenses, the reviewer will answer YES. If historical information was provided to FSA, the reviewer will include a comment that the lender exceeded the requirements. If the discussion is inadequate or does not support the projected expenses, the reviewer will answer NO. If there is no explanation for collecting additional information from a CLP lender, the reviewer will also answer NO.</p> <p>For PLP lenders: The reviewer will answer N/A. If historical information was provided to FSA, the reviewer will include a comment that the lender exceeded the requirements.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
7	<p><u>Is the applicant's repayment capacity adequate?</u></p> <p><u>For SEL and CLP lenders: Using proper expense and income assumptions, did the lender's cash flow budget show a feasible plan at the time of loan approval?</u></p> <p>Reviewers should examine the file to determine whether the plan of operation is feasible based on accurate and complete information. If the lender's income and/or expense assumptions were unrealistic, did this result in a guarantee being issued on a loan without adequate repayment capacity? The reviewer may have to make adjustments in the cash flow projection to make this determination.</p> <p>If the application shows a feasible plan, after only necessary adjustments, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p> <p><u>For PLP lenders: Did the lender adequately justify the applicant's repayment ability in the loan narrative?</u></p> <p>If the loan narrative adequately justified the applicant's repayment ability, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
8	<p><u>Is the loan security appropriate?</u></p> <p>2-FLP, paragraph 166 discusses the amount and quality of security required for a guaranteed loan. Reviewers should examine the appraisal, loan narrative, and FSA-1980-25, Part E for SEL and CLP lenders, or FSA-1980-28, Part D for PLP lenders to determine if security is adequate when considering the total security available, prior liens, and the lender's normal practices. If the primary security is marginal, the cash flow is below average, production capability is suspect, management history is limited, or the operation is not firmly established, the lender should obtain additional security. Reviewers should also consider whether the security is identifiable and if the life of the security is consistent with the term of the loan.</p> <p>If security is adequate and appropriate, given the level of risk involved, loan terms, loan type, and collateral available, the reviewer will answer <u>YES</u>. If the appraisal documentation is insufficient, but security is adequate, the reviewer will answer <u>YES</u>, but provide remarks in the comments section. If the security is inadequate or inappropriate, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
9	<p><u>If IA is involved, does the file demonstrate adequate need?</u></p> <p>2-FLP, paragraph 224 discusses eligibility and the general rules for the IA program. Reviewers should determine whether a cash flow was completed with and without IA. To be eligible for the subsidy, the cash flow must show less than a feasible plan without IA and a feasible plan with the subsidy.</p> <p>Note: Loan applicants can qualify for IA based on either a first year or a typical year plan.</p> <p>If IA was granted and the required budget or budgets is present and supports the approval of the subsidy, the reviewer will answer <u>YES</u>. If any of the required cash flows are missing or the projections do not support approval of IA, the reviewer will answer <u>NO</u>. If IA was not granted, the reviewer will answer <u>N/A</u>.</p>
10	<p><u>Was FSA-1980-15 properly executed?</u></p> <p>2-FLP, subparagraphs 245 C and 246 A and B discuss proper execution of FSA-1980-15 by FSA and the lender. FSA-1980-15 should not be issued until after funds have been obligated for the loan. List loan purposes and security in FSA-1980-15, items 14 and 16, respectively. The FSA official should enter the expiration date in FSA-1980-15, item 18. The lender should accept the conditions, close the loan, and request a guarantee before FSA-1980-15 expires. Reviewers should consider whether additional conditions listed in FSA-1980-15, item 17 are excessive or inadequate. These conditions should be specific to the loan, rather than boilerplate language.</p> <p>If FSA-1980-15 meets the standards explained above, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

D
Completing
FSA-2104, Part B
and FSA-2117,
Part B
(Continued)

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Question	Instructions
11	<p><u>Has the guaranteed loan been properly closed and FSA-1980-27 properly issued?</u></p> <p>2-FLP:</p> <ul style="list-style-type: none"> • paragraph 247 describes FSA's and the lender's responsibilities before FSA-1980-27 is issued • paragraph 248 outlines the procedure for issuing FSA-1980-27. <p>Reviewers should verify that the lender signed FSA-1980-22. The case file should contain a copy of the promissory note or LOC agreement, which is referenced on FSA-1980-27. For entities, the promissory note should be executed by the member authorized to sign for the entity, and by all entity members as individuals.</p> <p>Note: FSA may waive this requirement for individuals holding 10 percent interest or less.</p> <p>The reviewer should determine whether the terms of the note are consistent with the application and FSA-1980-15. FSA-1980-27 should be properly completed as described in 2-FLP, paragraph 248.</p> <p>If the requirements described above are met, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
12	<p><u>Was the application approved or disapproved within the required timeframe?</u></p> <p>2-FLP, paragraph 83 outlines application processing timeframes. The reviewer should compare the date the application was completed to the date FSA-1940-3 was signed. For PLP and CLP lenders, FSA-1940-3 should be signed within 14 days of a complete application. For SEL's, the FSA-1940-3 date should be 30 days from receipt of a complete application.</p> <p>If the application was approved within the proper timeframes as described above, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

E

Completing FSA-2105, Part B Follow this table to complete FSA-2105, Part B for reviewing **direct loan servicing**.

Question	Instructions
1	<p><u>Are Financing Statements/Chattel Mortgages being properly maintained?</u></p> <p>RD Instruction 1962-A, Section 1962.5 states that FLM's are responsible for maintaining security instruments that will cover all security, including replacements, increases and other after-acquired property, and for obtaining additional security as needed.</p> <p>A Financing Statement is effective for 5 years from the date of filing, unless State laws provide otherwise. FmHA 462-12 must be filed within 6 months before the end of the original 5-year period. A lien search is unnecessary provided the continuation statement is properly filed [RD Instruction 1962-A, Section 1962.5(b)].</p> <p>The reviewer must be familiar with or have access to applicable State Supplements or State Statutes concerning Financing Statements/Chattel Mortgages to ensure that: (1) FSA liens and their priority are maintained by renewing or extending security instruments or by obtaining new instruments; and (2) lien *--searches are made as necessary to determine that FSA maintains the required priority of liens.</p> <p>If the Financing Statements/Chattel mortgages are properly maintained as required, the reviewer will--* answer YES. If not, the reviewer will answer NO. If the loan is secured by real estate only, the reviewer will answer N/A.</p>
2	<p><u>*--Was beginning cash, planned and actual (FSA-431-2, line J. 11) calculated correctly?--*</u></p> <p>When the date of the balance sheet is before the beginning date of the period covered by the new FSA-431-2, planned beginning cash is calculated in lines A1, A2, and A3.</p> <p>Enter the following in A1:</p> <p>Itemize all cash on hand, all wages, other investments, collections from accounts receivable, and proceeds to be received from the sale of crops and livestock before the beginning date of the new FSA-431-2.</p> <p>Note: Proceeds from the current assets that will not be received, used or sold until after the period of the new FSA-431-2 begins, will be accounted for in Tables D and E.</p> <p>Enter the following in A2:</p> <p>Notes and accounts payable, that will be reduced or paid in full between the date of the balance sheet and the beginning date of FSA-431-2. Estimated family living and operating expenses that will be incurred and paid before the beginning date of the new FSA-431-2.</p> <p>Note: Accounts that will be paid after the beginning date of the new plan are to be entered in Table G of the new FSA-431-2. Installment debts and notes payable that will be paid after the beginning date of the new FSA-431-2 are to be entered in Table K.</p>

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
2 (CNTD)	<p>Enter the following in A3:</p> <p>The difference between lines A1 and A2.</p> <p>Note: This amount will be entered in Table J, line 11 beginning cash Planned column.</p> <p>When the balance sheet date is on or after the beginning date of the period covered by the new FSA-431-2, *--cash on hand, checking and savings should be included to determine the amount available. Enter--* that amount in A1 and A3.</p> <p>Note: This amount will be entered in Table J, line 11.</p> <p>The reviewer should ensure that assets that have been and/or will be converted to cash, near the beginning of the period covered by the new FSA-431-2, are not double counted or overlooked.</p> <p>If beginning cash is calculated correctly, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
3	<p>*--<u>Were realistic commodity prices clearly documented and used to develop FSA-431-2?</u></p> <p>The source of prices used must be according to FmHA Instruction 1924-B, Section 1924.56(b)(2) (State-established unit prices). If State-established prices are not used, the prices used must be fully documented.</p> <p>If realistic commodity prices were clearly documented and used to develop FSA-431-2, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
4	<p><u>Were realistic commodity/livestock yields used in the projected FSA-431-2 and is the basis for their use documented?</u></p> <p>Source of yields must be clearly documented in the file and be according to FmHA Instruction 1924-B, Section 1924.56(b)(1).</p> <p>If realistic commodity/livestock yields were used in the projected FSA-431-2, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
5	<p>*--Were realistic family living expenses clearly documented and used to develop FSA-431-2?</p> <p>Family living expenses in Table F of FSA-431-2 will be based on the borrower's proven records. Any changes to this must be clearly documented in the running record.</p> <p>If realistic family living expenses were clearly documented and used to develop FSA-431-2, the reviewer will answer YES. If not, the reviewer will answer NO. If the borrower is an entity, the reviewer will answer N/A.</p>
6	<p>Were realistic operating expenses used to develop FSA-431-2?</p> <p>Operating expenses in Table G of FSA-431-2 will be based on borrower records of past operating performance that are clearly documented in the file, according to FmHA Instruction 1924-B, Section 1924.56(b)(1).</p> <p>*--If realistic operating expenses were used to develop FSA-431-2, the reviewer will answer YES. If--* not, the reviewer will answer NO.</p>
7	<p>Were nonfarm income and other-farm income verified and properly included in FSA-431-2?--*</p> <p>Nonfarm income must be verified when used in FSA-431-2. Verification of nonfarm income is required as set out in FmHA Instruction 1951-S, Section 1951.907(e)(5)(v) and may include RD 1910-5, copies of W-2's, documentation in the running record, etc. The file should contain documentation of other-farm income. Verification may include written or verbal projection of FP benefits, tax records, documentation in the running * * * record, historical records to support custom work, etc. The reviewer should also check past history of employment and nonfarm income.</p> <p>If nonfarm income and other-farm income are realistically completed, the reviewer will answer YES. If not, the reviewer will answer NO.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
8	<p><u>Does the debt repayment schedule reflect correct amounts and all creditors?</u></p> <p>Table K of FSA-431-2 must be completed according to item 219.</p> <p>Enter in Table K all debts shown in Table A requiring 1 or more payments during the year except those being refinanced with FSA loan funds. Also, enter planned new debts, including FSA loans, with payments due during the year.</p> <p>a. The principal and interest to be paid for each debt is the amount agreed upon after consideration of the “Balance Available” in Table J. When the DALR\$ is used to restructure the borrower’s debt, the restructured FSA loan payments must be placed in the “Prin and Int to be Paid” column. The restructured loan payments appear in * * * the DALR\$ Report and are entitled “Loan Status After Restructuring With Primary Service Programs.” Repayment terms to other creditors and any new advances by FSA must also be properly placed in the “Prin and Int to be Paid” column.</p> <p>b. All delinquencies and amounts previously due should be included as due this year.</p> <p>c. Show the month, year and source of the planned repayments such as “crops,” “livestock,” or other income from which payments are planned.</p> <p>If all debt payments are listed correctly in Table K of FSA-431-2, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
9	<p><u>*--Using realistic inputs, was FSA-431-2 feasible at the time of approval of the servicing action?--*</u></p> <p>FmHA Instruction 1951-S, Section 1951.909(d) requires a feasible plan for loan restructuring. A feasible plan is also required for other servicing activities, such as subordinations (RD Instruction 1962-A, Section 1962.30(b) and FmHA Instruction 1965-A, Section 1965.12(a)) and partial releases (FmHA Instruction 1965-A, Section 1965.13(b)). A feasible plan must show that the borrower will be able to: (1) pay all operating expenses and taxes, (2) meet all scheduled or all required payments on all debts, and (3) provide family living expenses for the individual or entity.</p> <p>If any of the questions 2 through 8 were noted as not being realistic (too high or too low), the reviewer must make mathematical computations to determine whether realistic inputs would have changed the cash flow outcome.</p> <p><u>*--If FSA-431-2 was feasible after using realistic inputs, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</u></p>

Continued on the next page

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
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10	<p><u>Was a well documented year-end analysis (YEA) completed, when required?</u></p> <p>FmHA Instruction 1924-B, Section 1924.55(d) requires YEA for borrowers who:</p> <ul style="list-style-type: none"> received an initial or subsequent loan the previous year received a chattel subordination received restructuring are delinquent or financially distressed have loans deferred are receiving limited resource interest rates. <p>YEA should be completed, whenever possible, within the 60-calendar-day period after completion of the borrower's business year.</p> <p>***</p> <p>YEA should include:</p> <ul style="list-style-type: none"> •*--completion and review the "actual" columns on the farm business plan or FSA-431-2 and FSA-1962-1 • development of a farm business plan or FSA-431-2 for the next production cycle--* • *** agreement on key management issues. Any such agreements will be documented in the borrower's file and signed by the borrower or documented in Table C of FSA-431-2. <p>If a well documented YEA is in the file when required, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If YEA is not required, the reviewer will answer <u>N/A</u>.</p>
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FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
11	<p><u>Has FSA-1962-1 been properly completed?</u></p> <p>*--Important: FSA-1962-1 must not be completed in pencil.--*</p> <p>RD Instruction 1962-A, Section 1962.16 states that FLM is responsible for maintaining a current record of each borrower's security. This includes all dispositions and acquisitions of security. RD Instruction 1962-A, Section 1962.17 requires that the borrower always account for all security and be instructed of this requirement when the loan is made, and as often afterward as necessary. When chattel security property is disposed of, its disposition will be recorded on FSA-1962-1 and authorized by initialing FSA-1962-1. This includes, for example, sale proceeds on hand and crops in storage. FmHA Instruction 1924-B, Sections 1924.56(b)(3) and (4) state when FSA-1962-1 will be revised.</p> <p>FmHA Instruction 1924-B, Section 1924.56(a)(1) requires that, at least 60 calendar days before the end of the borrower's business year, or farm planning period, FLM will send borrowers with loans secured by chattels * * *, a letter similar to FmHA Instruction 1924-B, Exhibit A with Attachment 1. A new FSA-431-2 or other similar plan of operation acceptable to FSA, and a new FSA-1962-1 will be prepared for the upcoming year of operation. Table K of FSA-431-2 and FSA-1962-1 must be consistent with one another reflecting the amounts and when payments are to be made and cover the same time period.</p> <p>If the reviewer finds deviations in completing FSA-1962-1, the reviewer will answer <u>NO</u>. If all requirements are met, the reviewer will answer <u>YES</u>. If real estate is the only security for the loan being reviewed, the reviewer will answer <u>N/A</u>.</p>
Questions from this point on apply to cases serviced under FmHA Instruction 1951-S.	
12	<p><u>Did the FLM consider the application of sale proceeds from other nonessential assets before offering Primary Loan Servicing (PLS) or current market value buyout?</u></p> <p>FmHA Instruction 1951-S, Section 1951.910 requires that if the borrower can sell other nonessential assets and apply the proceeds to bring the account current, the borrower is not eligible for PLS or current market value buyout. If the proceeds are not sufficient to bring the account current, the nonessential assets will be included in FmHA Instruction 1951-S, Exhibit F or Exhibit A with Attachment 5-A and will be added to the net recovery value.</p> <p>The reviewer will compare the last FSA appraisal before the notices were sent with FSA lien instruments to determine what security FSA holds. A comparison will then be made with the borrower's financial statement to determine whether the borrower had other assets unencumbered by an FSA lien. If these assets existed, the reviewer will determine whether or not the assets were essential or nonessential as defined in FmHA Instruction 1951-S, Section 1951.906. If the reviewer finds any nonessential assets, there should be documentation that they were considered as required.</p> <p>If FLM has properly considered the nonessential assets, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If there were no nonessential assets, the reviewer will answer <u>N/A</u>.</p>

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
13	<p><u>Did the FLM complete FSA-580 and include it as part of the * * * documentation?</u></p> <p>If the reviewer finds a completed FSA-580, the reviewer will answer YES. If not, the reviewer will answer NO. If the account was not serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>
14	<p><u>Did the FLM properly notify all liable parties of their servicing options?</u></p> <p>FmHA Instruction 1951-S, Section 1951.907 details the proper loan servicing notices to be sent to borrowers who are in bankruptcy, 90 calendar days past due, in nonmonetary default, or who request primary and preservation loan servicing. Section 1951.908(a) addresses notification of financially distressed current borrowers. FSA-580, Part A should detail the notice process and be supported by documentation in the file.</p> <p>If the reviewer finds documentation to support that all liable parties timely received proper notification of their servicing options, the reviewer will answer YES. If not, the reviewer will answer NO. If the account was not serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>
15	<p><u>*--Did the FLM properly complete processing the loan servicing application including a properly--* completed DALR\$ report?</u></p> <p>The reviewer will confirm that the documentation in the file supports the items in FSA-580, Part C.</p> <p>If the reviewer finds documentation to support FSA-580 notations, the answer will be YES. If not, the reviewer will answer NO. If the account was not serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>
16	<p><u>If a feasible plan was developed, was the borrower sent Exhibit F or Exhibit B? If no feasible plan was developed, was the borrower sent Exhibit E?</u></p> <p>If a feasible plan of operation can be developed, FmHA Instruction 1951-S, Section 1951.909(h)(1) requires that FLM notify the borrower of FSA's offer to restructure using Exhibit F. Exhibit B is used to notify distressed borrowers. This notification should be sent within 60 calendar days after receipt of a complete application.</p> <p>If a feasible plan of operation cannot be developed, FmHA Instruction 1951-S, Section 1951.909(h)(3) states that the borrower will be notified of mediation and other options with Exhibit E. This notification should be sent within 15 calendar days from the date of the determination that the borrower's account cannot be restructured.</p> <p>If the proper notice was sent timely, the reviewer will answer YES. If not, the reviewer will answer NO. If the account was not serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

E
Completing
FSA-2105, Part B
(Continued)

Question	Instructions
17	<p><u>If FSA was unable to provide PLS assistance, was the borrower sent Attachments 5-A and 6-A * * * or 9-A and 10-A * * * ?</u></p> <p>If the borrower submitted a complete application and is unable to develop a feasible plan after mediation or voluntary meeting of creditors, FmHA Instruction 1951-S, Section 1951.909(h)(3)(ii) requires that the borrower be sent Attachments 5-A or 6-A * * * , within 15 calendar days of the unsuccessful mediation or meeting.</p> <p>If the borrower did not submit a complete application within the required timeframe, FmHA Instruction 1951-S, Section 1951.907 requires that the borrower be sent Attachments 9-A and 10-A * * * . Attachments 9-A and 10-A * * * will also be sent if the borrower does not respond timely to Exhibit F as set forth under FmHA Instruction 1951-S, Section 1951.909(h)(1)(ii).</p> <p>If the proper notice was sent timely, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the account was not serviced under FmHA Instruction 1951-S, the reviewer will answer <u>N/A</u>.</p>
* * *	* * *
<u>For Borrowers With SAA's</u>	
18	<p><u>Have borrowers with Shared Appreciation Agreements (SAA) been properly notified as required?</u></p> <p>*--The FLM is required to remind the borrower that shared appreciation could be due at the end of the 5- or 10-year term of the agreement, upon conveyance of the property, if all loans are repaid, if the borrower ceases to farm, or if the account is accelerated. The borrower should be reminded during the fourth quarter of each year using FSA Guide Letter 1951-S-1 or 1951-S-2 as required by FmHA Instruction 1951-S, Section 1951.914(a)(1). If SAA has been partially or fully triggered, the borrower is to be notified of the date the SAA recapture is due, the calculations used, appeal rights, and the opportunity to request amortization, or suspension if SAA matures before December 31, 2000.</p> <p>If the borrower has received all proper notifications within the past 12 months, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the borrower does not have SAA, the reviewer will answer <u>N/A</u>.--*</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2119, Part B Follow this table to complete FSA-2119, Part B for reviewing **delinquent borrower servicing (1951-S)**.

Question	Instructions
1	<p><u>Did FLM consider the application of sale proceeds from other nonessential assets before offering PLS or current market value buyout?</u></p> <p>FmHA Instruction 1951-S, Section 1951.909(c)(4) and 1951.910(a) indicates that if the borrower can sell other nonessential assets and apply the proceeds to bring the account current, the borrower is not eligible for PLS or buyout. If the proceeds are not sufficient to bring the account current, the nonessential assets will be taken as FSA security through FmHA Instruction 1951-S, Exhibit F or be added to the net recovery value through FmHA Instruction 1951-S, Exhibit A, Attachment 5-A.</p> <p>The reviewer will look at the last FSA appraisal before the notices were sent and determine, in conjunction with FSA lien instruments, what security FSA held. A comparison will then be made with the borrower's financial statement to determine if the borrower had other assets unencumbered by an FSA lien. If such assets existed, the reviewer will determine whether the assets were essential or nonessential as defined in FmHA Instruction 1951-S, Section 1951.906. If the reviewer finds any nonessential assets, there should be documentation that this security was considered as required.</p> <p>If FLM has properly considered the nonessential assets, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If there were no nonessential assets, the reviewer will answer <u>N/A</u>.</p>
2	<p><u>Did FLM properly notify all liable parties of their servicing options?</u></p> <p>FmHA Instruction 1951-S, Section 1951.907(c) states that borrowers 90 days past due will be mailed Exhibit A with attachments 1 and 2 by certified mail, return receipt requested. FmHA Instruction 1951-S, Section 1951.907(a) indicates that borrowers who have filed bankruptcy will be serviced with guidance from the Regional OGC. Borrowers in nonmonetary default, delinquent, and in nonmonetary default or with a prior or junior lienholder foreclosing will be mailed Exhibit A with Attachments 1, 3, and 4. FmHA Instruction 1951-S, Section 1951.908(a) addresses notifying financially distressed current borrowers. FSA-580, Part A should detail the notice process and be supported by documentation in the case file.</p> <p>If the reviewer finds supporting documentation that all liable parties were timely notified of their servicing options, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the account is not serviced under FmHA Instruction 1951-S, the reviewer will answer <u>N/A</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2119, Part B
(Continued)

Question	Instructions
3	<p><u>If the borrower was sent FmHA Instruction 1951-S, Attachments 3 and 4, but did not respond, did FLM initiate liquidation?</u></p> <p>FmHA Instruction 1951-S, Section 1951.907(e)(2) states that if the borrower was sent Attachments 3 and 4 and does not request servicing within 60 days, liquidation will be initiated.</p> <p>If foreclosure was initiated, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
4	<p><u>If a feasible plan was developed, was the borrower sent FmHA Instruction 1951-S, Exhibit F?</u></p> <p>If a feasible plan of operation can be developed, FmHA Instruction 1951-S, Section 1951.909(h)(1) states that the borrower will be notified of FSA's offer to restructure using Exhibit F. These notices are to be sent within 60 days after receipt of a complete application.</p> <p>If the proper notice was sent timely, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the account is not being serviced under FmHA Instruction 1951-S, the reviewer will answer <u>N/A</u>.</p>
5	<p><u>If no feasible plan was developed, was the borrower sent FmHA Instruction 1951-S, Exhibit E?</u></p> <p>If a feasible plan of operation cannot be developed, FmHA Instruction 1951-S, Section 1951.909(h)(3) states that the borrower will be notified of mediation or other options with Exhibit E within 15 days from the date of the determination that the borrower's account cannot be restructured.</p> <p>If the proper notice was sent timely, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the account is not being serviced under FmHA Instruction 1951-S, the reviewer will answer <u>N/A</u>.</p>
6	<p><u>If the borrower did not submit a complete application, did FLM send FmHA Instruction 1951-S, Exhibit A, Attachments 9-A and 10-A?</u></p> <p>FmHA Instruction 1951-S, Section 1951.907(e)(3) states that borrowers are sent Exhibit A and Attachments 1 and 2 and those who do not submit a complete application within 60-days will be sent Attachments 9-A and 10-A.</p> <p>If the proper notice was sent timely, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the borrower submitted a complete application, the reviewer will answer <u>N/A</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2119, Part B
(Continued)

Question	Instructions
7	<p><u>If the borrower did not return FmHA Instruction 1951-S, Exhibit A, Attachment 10-A or if the attachment was returned and all appeals rights have been exhausted, was the account accelerated?</u></p> <p>Borrowers should return Attachment 10-A no later than 30 days from the date of the letter to respond to the Agency's intent to accelerate the account. FmHA Instruction 1951-S, Section 1951.907(e)(3) indicates that if the borrower does not respond, the Agency will proceed with foreclosure.</p> <p>If the account was accelerated, the reviewer will answer YES. If not, the reviewer will answer NO.</p>
8	<p><u>If a complete application was submitted, did FLM process the application and run DALRS within 60 days?</u></p> <p>FmHA Instruction 1951-S, Section 1951.908(c) requires the servicing official to process a completed application and notify the borrower of the decision within 60 days with FmHA Instruction 1951-S, Exhibit F, if a feasible plan was found. If a feasible plan was not found, the borrower will be sent Exhibit E.</p> <p>If the borrower was mailed Exhibit E or F, the reviewer will answer YES. If not, the reviewer will answer NO. If the account is not being serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>
9	<p><u>If the borrower submitted a complete application and was unable to develop a feasible plan after mediation or voluntary meeting of creditors, was the borrower sent FmHA Instruction 1951-S, Exhibit A, Attachments 5-A or 6-A?</u></p> <p>FmHA Instruction 1951-S, Section 1951.909(h)(3)(ii) requires that the borrower be sent Attachments 5-A or 6-A within 15 days of the unsuccessful mediation or meeting, if the borrower submitted a complete application.</p> <p>If the appropriate documentation is in the file, the reviewer will answer YES. If not, the reviewer will answer NO. If the borrower is not being serviced under FmHA Instruction 1951-S, the reviewer will answer N/A.</p>
10	<p><u>Has the delinquency been resolved?</u></p> <p>FmHA Instruction 1951-S, Section 1951.909(h)(1)(i) indicates that if DALRS results in a feasible plan, the servicing official will restructure the debt within 45 days after receiving written notice that the borrower has accepted the offer.</p> <p>If the delinquency has been resolved, the reviewer will answer YES. If not, the reviewer will answer NO. If the answer is NO, the reviewer should list the next appropriate action to resolve delinquency.</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2120, Part B Follow this table to complete FSA-2120, Part B for reviewing **DSA (1951-T)**.

Question	Instructions
1	<p><u>Did the borrower submit a written request, signed by all liable parties?</u></p> <p>FmHA Instruction 1951-T, Section 1951.953(c)(1) requires all liable parties to submit a signed request for DSA.</p> <p>If the borrower or borrowers submitted a signed request, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
2	<p><u>Was the borrower's eligibility for DSA and the amount set-aside fully documented?</u></p> <p>FmHA Instruction 1951-T, Section 1951.957(a) requires that consideration of DSA be fully documented in the case file. Documentation should include whether the disaster affected the borrower's ability to pay all expenses, including the FSA shortfall. FmHA Instruction 1951-T, Section 1951.954(b) requires that the amount set-aside cannot exceed 1 year's annual payment to FSA on all loans.</p> <p>If the DSA determination was properly documented, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
3	<p><u>Was the shortfall in payment or payments outside the borrower's control?</u></p> <p>As required by FmHA Instruction 1951-T, Section 1951.957(a), documentation should include whether the disaster affected the borrower's ability to pay all expenses. The reviewer should check FSA-1962-1 to determine if it was revised so that the assignments or proceeds from sale of security were released to the borrower instead of paying any portion of the installment or installments due.</p> <p>If there are no revisions to FSA-1962-1 and releases were approved as planned, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
4	<p><u>Did FLM use actual production, income, and expense records for the production and marketing period in which the disaster occurred to support the borrower's eligibility for DSA?</u></p> <p>FmHA Instruction 1951-T, Section 1951.953(c)(2) requires that borrowers submit actual records to be considered for DSA.</p> <p>If the DSA eligibility determination was based on actual records for the year in which the disaster occurred or the 1999 low commodity prices, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2120, Part B
(Continued)

Question	Instructions
5	<p><u>Before the installment was set-aside, was a feasible plan developed showing the borrower could make all payments due, pay all operating and essential family living expenses, and taxes due for the next full crop year?</u></p> <p>FmHA Instruction 1951-T, Section 1951.954(a)(6) requires that the borrower develop a feasible plan to reflect whether they will be able to pay all operating and family living expenses, make all payments due, and pay taxes.</p> <p>If the borrower was able to develop a feasible plan, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
6	<p><u>Was the borrower unable to pay any portion of the amount set-aside?</u></p> <p>FmHA Instruction 1951-T, Section 1951.954(b)(4) limits the amount set-aside to the amount the borrower is unable to pay. The reviewer should determine if the balance from borrower's actual production, and income and expense records indicates an inability to pay any portion of the amount set-aside.</p> <p>If the borrower was unable to pay any portion of the amount set-aside, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
7	<p><u>If there were 2 installments set-aside on any individual or loans, was the borrower eligible for the second set-aside on that loan or loans?</u></p> <p>FmHA Instruction 1951-T, Section 1951.954(a)(1)(iv) states that the borrower cannot have more than 2 installments set-aside and outstanding on any 1 loan. FmHA Instruction 1951-T, Section 1951.954(b)(2)(i) states that the borrower may have only 1 DSA. However, FmHA Instruction 1951-T, Section 1951.954(a)(1)(ii) and Section 1951.954(a)(1)(iii) state that the borrower may have a second set-aside because of low commodity prices or a declared disaster if the first set-aside was before January 1, 1999. Applications because of low commodity prices in 1999 should have been received on or before August 30, 2000.</p> <p>If the borrower was eligible for the second set-aside, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2106, Part B Follow this table to complete FSA-2106, Part B for reviewing * * * **guaranteed loan servicing.**

Question	Instructions
1	<p><u>Is there evidence in the file that the lender is supplying FSA an annual analysis report?</u></p> <p>2-FLP, paragraph 265 * * * contains requirements for lenders to provide FSA with an annual analysis report of the farming operation * * *. Additional requirements may be imposed on a loan by FSA in some cases. Review * * * FSA-1980-15 to determine whether additional analysis is required for a loan. The FSA file must contain an annual analysis as follows:</p> <p>For all SEL and ALP loans:</p> <ul style="list-style-type: none"> •*--RE secured loans - Year-end balance sheet. • Chattel secured term loans - Year-end balance sheet, collateral inspection (farm visit) report, Profit and Loss Statement, and narrative summary of borrower's financial progress. • LOC - Year-end balance sheet, collateral inspection report, income and expense statement, summary of borrower's financial progress, and a cash flow projection. <p>For CLP lenders [For loans subject to IA, see question 8.]:</p> <ul style="list-style-type: none"> • RE secured loans - Either a summary of lender's analysis or summary as to why financial strength makes analysis unnecessary. • Chattel secured term loans - Either a summary of lender's analysis or summary as to why financial strength makes analysis unnecessary. • LOC - Certification that cash flow was obtained, borrower is in compliance with the lender's agreement, lender has accounted for previous year's income and loan funds, and security proceeds are accounted for. <p>Waiver: A CLP lender may opt to not analyze an FO or term OL borrower's financial performance if circumstances exist that attest to a borrower's relative financial strength. A CLP lender must provide FSA written justification for not performing an analysis. The justification should be filed in position 3 or 4.--* The lender may not waive analysis based only on the fact that a borrower is current on all loan payments.</p> <p>PLP lenders are not required to submit a copy of their annual analysis to FSA. The reviewer should mark <u>N/A</u> for PLP loans unless specific reports are required by FSA-1980-15 in the file. All other guaranteed loans require an annual analysis as described above. If the file contains all of the information required for the type of loan as described above, or a written waiver from a CLP lender, the reviewer will answer <u>YES</u> and, if not, the reviewer will answer <u>NO</u>. If the required documentation for the annual analysis is not in the file, but the file contains evidence that the Service Center attempted to obtain the information from the lender, either in the form of a letter to the lender requesting the information, or a running record *--indicating a personal visit or telephone call to obtain the information, the reviewer will answer <u>YES.--*</u></p>

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FLP National Internal Review Guide (Continued)

H
Completing
FSA-2106, Part B
(Continued)

Question	Instructions
2	<p><u>*--For LOC with an SEL or ALP, is there documentation in the file that FSA concurred in--* writing with the lender advancing funds in future years of the line?</u></p> <p>2-FLP, subparagraph 265 C * * * requires the lender to obtain FSA concurrence for future advances. 2-FLP, subparagraph 265 F requires * * * the borrower file * * * contain either a running record entry or a copy of a letter to the lender stating that FSA * * * has reviewed the lender's annual analysis and cash flow projection, and has provided approval for next year's line.</p> <p>*--If there is documentation in the file, the reviewer will answer YES. If not, the reviewer will answer NO. If the cash flow was never submitted but FSA requested it as evidenced by file documentation, the reviewer will answer N/A. If the loan is not LOC or not with SEL or ALP, the reviewer will answer N/A.</p>
3	<p><u>For LOC with an SEL or ALP, does the cash flow in the file demonstrate a feasible plan?</u></p> <p>2-FLP, subparagraph 265 C requires an SEL or ALP lender to provide a cash flow that projects a feasible plan or better for the upcoming operating cycle.</p> <p>If the reviewer determines that the plan in the file is feasible, the reviewer will answer YES. If there is no plan or the plan does not demonstrate the required cash flow, the reviewer will answer NO. If the plan was never submitted but documentation exist that FSA requested the plan, the reviewer will answer N/A. If the loan is not LOC or not with SEL or ALP, the reviewer will answer N/A--*</p>
4	<p><u>For a chattel loan with a CLP lender, does the lender's summary of their annual analysis include a comparison of actual to planned performance, the whereabouts of the loan collateral, and prospects for the upcoming cycle?</u></p> <p>2-FLP, subparagraphs 265 D and E * * * requires the lender to provide this information in their annual *--analysis. A partial release by the lender as provided in 2-FLP, subparagraph 280 B should be--* addressed in this analysis.</p> <p>If the lender has provided a complete summary or a written justification for an analysis waiver, the reviewer will answer YES. If not, the reviewer will answer NO. If the loan is a RE loan only or not with CLP, the reviewer will answer N/A. If the answer to question 1 was YES because the Service Center attempted to obtain the information, although it was not provided by the lender, the reviewer will answer N/A..</p>

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FLP National Internal Review Guide (Continued)

H
Completing
FSA-2106, Part B
(Continued)

Question	Instructions
5	<p><u>For LOC with a CLP lender, has the lender certified that a feasible plan has been developed, and that the previous year's income, security and loan funds have been accounted for?</u></p> <p>2-FLP, subparagraph 265 E * * * requires the lender to provide this information in their certification provided with an annual analysis of LOC.</p> <p>If the lender has provided a certification and it includes this required information, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the borrower has guaranteed term debt only, or the lender is not CLP, the reviewer will answer <u>N/A</u>. If the answer to question 1 was <u>YES</u> because the Service Center attempted to obtain the information, although it was not provided by the lender, the reviewer will answer <u>N/A</u>.</p>
* * *	* * *
6	<p><u>If a loan has been in default, has the lender correctly prepared and submitted FSA-1980-44 as required and has it been entered into the Guaranteed Loan System (GLS)?</u></p> <p>2-FLP, paragraph 355 and subparagraphs 266 B, 300 D, 313 B and 358 C * * * require a lender to complete and submit FSA-1980-44 within 15 calendar days after a loan is in default (30 calendar days past *--due). FSA-1980-44 must contain information on the disposition of collateral, costs incurred, actions taken, actions planned and their estimated dates. 2-FLP, subparagraphs 314 A and 329 A require FSA to review FSA-1980-44 and enter it into GLS. Review the promissory note in the file, any FSA 1980-41 in the file, the running record and any correspondence to determine whether the loan has ever been past due and FSA-1980-44 should have been submitted. When FSA-1980-44 is submitted, there should be--* some indication, such as either a date and initials on a corner of FSA-1980-44 or a notation in the * * * running record, that indicates that the status has been entered in GLS.</p> <p>If FSA-1980-44 should have been submitted, was completed correctly, submitted when required, and entered into GLS, the reviewer will answer <u>YES</u>. If FSA-1980-44 should have been submitted but was not, submitted untimely without justification, submitted without explanations of actions being taken (attached memo is acceptable), the reviewer will answer <u>NO</u>. If documentation exists that the Service Center attempted to obtain FSA-1980-44 but did not receive it, the reviewer will answer <u>YES</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

H
Completing
FSA-2106, Part B
(Continued)

Question	Instructions
7	<p><u>Has the lender provided FSA 1980-41 Report semi-annually and have they been completed correctly?</u></p> <p>2-FLP, subparagraph 266 B * * * requires a lender to complete and submit FSA 1980-41 as of March 31 and September 30 of each year. 2-FLP, subparagraph 266 C requires FSA * * * to review FSA 1980-41 and if necessary request that the lender make corrections to the loan or FSA 1980-41.</p> <p>If FSA 1980-41 is in the file as of the most recent date that a report was required, and all spaces on FSA 1980-41 have been completed correctly, the reviewer will answer <u>YES</u>. If a current FSA 1980-41 is not in the file, an item on FSA 1980-41 is completed incorrectly or a required item is not completed, the reviewer will answer <u>NO</u>. If documentation exists that the Service Center attempted to obtain FSA 1980-41 but did not receive it, the reviewer will answer <u>YES</u>. If less than 45 calendar days have passed since the semi-annual reporting date, and FSA 1980-41 is not in the file for that reporting date, the reviewer will base the answer on FSA 1980-41 from the previous reporting period.</p>
* * *	* * *
8	<p><u>For loans subject to IA did the lender provide a complete request for payment and continuation of IA and was the request properly reviewed and approved?</u></p> <p>2-FLP, subparagraph 228 A * * * requires a lender to submit the following items to request payment and continuation of IA:</p> <ul style="list-style-type: none"> • FSA-1980-24 • statement of payment and disbursement activity (ledger) • calculation of average daily principal balance • previous year's income and expense statement • written explanation of deviations from last year's projections and results • current balance sheet • cash flow budget - monthly for LOC, annual for other loans • needs analysis on FSA-1980-25. <p>2-FLP, subparagraph 228 E * * * provides that a loan will be eligible to continue with IA if a feasible plan can only be projected with IA for the plan period. Review * * * FSA-1980-25 to determine the accuracy of the lender's needs test and FSA-1980-24 for proper completion.</p> <p>If all of the required items are present in the file, FSA-1980-24 has been completed accurately, and the needs test has been correctly analyzed, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the loan is not subject to IA, the reviewer will answer <u>N/A</u>.</p>

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FLP National Internal Review Guide (Continued)

H
Completing
FSA-2106, Part B
(Continued)

Question	Instruction
9	<p><u>For loans that have been sold on the secondary market, does the file contain a copy of FmHA 449-36, or FSA-1980-36, and was it properly completed?</u></p> <p>2-FLP, Part 15 * * * contains requirements for the sale of the guaranteed portion of loans on the secondary market. Review the copy of the assignment in the file. Specifically, check the accuracy of the amounts in FSA-1980-36, items 7 through 10. On FmHA 449-36, (later versions are RD 449-36) verify that the amount indicated as sold is no more than the total principal times the percent guaranteed. Also, the * * * running record or correspondence record (position 3 or 4) on or near the date that the assignment is executed should indicate that the lender's request met all of the requirements of 2-FLP, subparagraphs 374 A and D, including a review of repurchased accounts according to *--2-FLP, subparagraph 374 A.</p> <p>If the loan has not sold, the reviewer will answer <u>N/A</u>. If a copy of the appropriate form is in the file, it--* is properly executed, and the eligibility of the loan for assignment has been documented, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2121, Part B Follow this table to complete FSA-2121, Part B for reviewing **guaranteed loan restructuring**.

Question	Instructions
1	<p><u>For a loan with a CLP lender that has been rescheduled, did the lender provide FSA with a certification, narrative and copies of restructured loan documents as required?</u></p> <p>2-FLP, subparagraph 313 B requires CLP lenders to provide FSA with a certification that the requirements of 2-FLP, Part 12, Section 2 have been met. The lender must also provide a narrative description of the action and copies of restructured loan documents.</p> <p>If the loan has not been restructured, or the lender is not a CLP, the reviewer will answer N/A. If the lender has restructured the loan and provided the required certification, narrative and copies, the reviewer will answer YES. If not, the reviewer will answer NO.</p>
2	<p><u>If a loan has been subject to a lender substitution, a loan consolidation, a loan restructuring with capitalized interest, or an assumption, has FSA executed FSA-1980-84 correctly and is the form attached to the original Guarantee as an addendum?</u></p> <p>2-FLP, subparagraph 281 D requires FSA-1980-84 to be executed to designate the party that assumed the debt, the amount of debt at the time of the assumption, and the new loan terms. 2-FLP, subparagraph 287 B requires FSA-1980-84 to be executed to identify the new lender, the amount of debt at the time of the substitution, and the new loan terms. 2-FLP, subparagraph 286 C requires FSA-1980-84 to be executed to indicate the new consolidated loan amount, the percentage of guarantee and the new loan terms. 2-FLP, subparagraph 326 E requires FSA-1980-84 to be executed to identify the new loan principal and guaranteed portion and to waive any restriction on capitalization of interest. The original FSA-1980-84 is sent to the lender and attached to the original Guarantee as an addendum. A copy is retained in the Service Center file.</p> <p>If the loan has not been subject to 1 of these actions, the reviewer will answer N/A. If a copy of FSA-1980-84 is in the file, the reviewer will answer YES. If not, the reviewer will answer NO.</p>
3	<p><u>If a loan with an SEL or ALP lender was restructured, were all of the required items submitted for FSA review?</u></p> <p>2-FLP, subparagraph 312 A requires SEL's to document the borrower's ability to make the restructured payment by providing the following:</p> <ul style="list-style-type: none"> • a feasible plan • financial statements from all liable parties • verification of nonfarm income • verification of all debts of more than \$1,000 • a credit report • financial and production history for previous 3 years. <p>If the lender presented a restructuring proposal to FSA and these items are in the borrower's file, the reviewer will answer YES. If not, the reviewer will answer NO. If the loan has not been proposed for restructuring or the lender is not SEL or ALP, the reviewer will answer N/A.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2121, Part B
(Continued)

Question	Instructions
4	<p><u>Did FSA concur in writing with an SEL or ALP lender's loan servicing proposal or reject the lender's proposal with appeal rights within 14 days of the lender's written request to FSA?</u></p> <p>2-FLP, subparagraph 313 A requires FSA written approval of all SEL servicing actions. 2-FLP, subparagraph 314 B requires FSA to review a lender's loan restructuring proposal and notify them in writing within 14 calendar days if the request will be rejected. If the loan has been restructured, a copy of FSA's written approval should be included in position 4 of the borrower file.</p> <p>If written concurrence was provided to the lender by FSA or the lender's proposal was rejected with appeal rights within 14 calendar days of its submission, the reviewer will answer YES. If not, the reviewer will answer NO. If the loan has not been proposed for restructuring or the lender is not SEL or ALP, the reviewer will answer N/A.</p>
5	<p><u>Did the lender stay within the limits on the maximum number of years allowable when a note was rescheduled?</u></p> <p>2-FLP, subparagraph 326 B establishes limits on the terms at which FSA guaranteed loans may be rescheduled. FO loans may be rescheduled for a period of up to 40 years from the date of the original note. OL term loans may be rescheduled for up to 15 years from the date of rescheduling. An OL LOC may be rescheduled for up to 7 years from the date of the rescheduling, not to exceed a maturity date of 10 years from the date of the original note. Review the restructuring documents including any promissory note, note amendment, or FSA-1980-84.</p> <p>If the loan has been rescheduled and the terms are correct, the reviewer will answer YES. If not, the reviewer will answer NO. If the loan has not been rescheduled, the reviewer will answer N/A.</p>

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FLP National Internal Review Guide (Continued)

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Completing FSA-2107, Part B Follow this table to complete FSA-2107, Part B for reviewing **collection and resolution activities (compromise, adjustment, and cancellation) for direct FLP debt.**

Question	Instructions
1	<p><u>After liquidation, was the borrower sent a letter similar to Exhibit F to RD Instruction 1955-A?</u></p> <p>RD Instruction 1955-A, Section 1955.18(f) requires that borrowers will be sent a letter similar to RD Instruction 1955-A, Exhibit F if an unsatisfied account balance remains. (See also RD Instruction 1962-A, Section 1962.41(f) and FmHA Instruction 1965-A, Sections 1965.26(f)(6) and 1965.27(f).)</p> <p>If the borrower was sent a letter similar to Exhibit F, the reviewer will answer YES. If not, the reviewer will answer NO. If a deficiency judgment was obtained, if all originally liable parties are defunct, deceased, discharged or released of liability, or if OGC advises that Exhibit F should not be sent, the reviewer will answer N/A.</p>
2	<p><u>Was the debt settlement application approved (or recommended to the National Office or Civil Division of the U.S. Department of Justice, through OGC) or rejected by the SED within 90 days of receipt of a complete debt settlement application from the borrower?</u></p> <p>RD Instruction 1956-B, Exhibit A, paragraph I establishes the 90-calendar-day requirement for debt settlement applications submitted by debtors. A complete application consists of FmHA 1956-1 and the supporting documentation required to complete FSA-1956-10, questions 11B through 11H. However, failure to obtain a credit report in a timely manner (FSA's responsibility) will not extend the 90-calendar-day timeframe.</p> <p>If the application was approved or recommended by SED within the 90-calendar-day timeframe, the reviewer will be answer YES. If the 90-calendar-day timeframe was exceeded, the reviewer will answer NO. If the debtor did not submit an application, the reviewer will answer N/A.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2107, Part B
(Continued)

Question	Instructions
3	<p><u>Have FmHA 1956-1 and FSA-1956-10 or FSA-1956-20 been completed and signed?</u></p> <p><u>FmHA 1956-1:</u></p> <p>RD Instruction 1956-B, Section 1956.57(b) requires that information obtained from the debtor should be documented on FmHA 1956-1. RD Instruction 1956-B, Section 1956.57(j)(2) requires that a separate FmHA 1956-1 will be completed by each debtor unless the debtors are members of the same family and all necessary financial information on each debtor can be shown clearly on a single application.</p> <p>The following signatures are required on FmHA 1956-1:</p> <ul style="list-style-type: none"> except as provided under RD Instruction 1956-B, Section 1956.57(f) (bankruptcies), COC review of debt settlement applications is required <p>Note: This review will be documented on FmHA 1956-1, Part VII.</p> <ul style="list-style-type: none"> the approval official and the recommending servicing official should sign FmHA 1956-1, Part VIII as required under RD Instruction 1956-B, Section 1956.84(b)(1) debtors submitting FmHA 1956-1 should sign Part VI. <p>Under Notice FLP-213, KCFO St. Louis, LOD has been authorized to settle accounts referred for cross-servicing. Debt is referred to Treasury by loan. Therefore, debt is settled by loan. LOD's notification about the settlement of each loan must be attached to FmHA 1956-1 approving CNC and subsequent referral for cross-servicing.</p> <p><u>FSA-1956-10 or FSA-1956-20:</u></p> <p>RD Instruction 1956-B, Section 1956.84 requires that debt settlement cases be submitted for review according to RD Instruction 1956-B, Exhibit A. The State Settlement Review Committee, the State FLP staff, DD, and FLM must sign FSA-1956-10 or FSA-1956-20 for CNC accounts. FSA-1956-20 will serve as the settlement review document for all post-cross-servicing settlements processed by LOD.</p> <p>If FmHA 1956-1 and FSA-1956-10 or FSA-1956-20 have been completed and signed by the appropriate parties, and LOD's letters are attached to FmHA 1956-1 (if appropriate), the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. Only if the debt settlement was negotiated and approved by DOJ, the reviewer will answer <u>N/A</u>.</p>

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FLP National Internal Review Guide (Continued)

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Completing
FSA-2107, Part B
(Continued)

Question	Instructions
4	<p><u>Does the documentation in the file support the findings reported for each question on FSA-1956-10 or FSA-1956-20 and were these forms completed according to their FMI?</u></p> <p>Debt settlement reviews are documented by FLM, DD, and State FLP staff on FSA-1956-10 or FSA-1956-20. Debt settlements that do not meet the requirements of FMI for FSA-1956-10 or FSA-1956-20 should not be approved.</p> <p>If documentation in the file supports the findings reported for each question on FSA-1956-10 or FSA-1956-20, and if FSA-1956-20 were completed according to their FMI, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. The reviewer will answer <u>N/A</u> if the answer to question 3 was also <u>N/A</u>.</p>
5	<p><u>Did the account meet the qualifications for the type of debt settlement proposed (cancellation, adjustment offer, or compromise)?</u></p> <p>The reviewer must be familiar with the types of debt settlements for which a debtor may qualify under RD Instruction 1956-B.</p> <p>According to RD Instruction 1956-B, Section 1956.57(c), a debt settlement should be negotiated with the debtor taking into consideration the ability to repay to arrive at the proper type and terms of a settlement. Present and future repayment ability is 1 important factor to consider when determining whether the debt can be collected in full, compromised, adjusted, or canceled. Because of the inability to forecast repayment ability over a long period of time, this Instruction states that the period of time over which payments on settlement offers may be structured should not exceed 5 years.</p> <p>If sufficient documentation exists to support the income possibilities of the debtor(s) and this documentation also supports the type of debt settlement approved, the reviewer will answer <u>YES</u>. If the debt is canceled because of discharge of all parties, or if the settlement was approved by DOJ or LOD processed the settlement following cross-servicing, the reviewer will also answer <u>YES</u>. If the debtor(s) appear to have repayment ability or resources from which to obtain a monetary offer (or a larger monetary offer) for settlement, and the settlement was approved with no offer (or based on an insufficient offer), the reviewer will answer <u>NO</u>.</p>

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Continued on the next page

FLP National Internal Review Guide (Continued)

K

**Completing
FSA-2108, Part B**

These cases will be reviewed by the Guaranteed Loan Servicing Branch, LSPMD. A summary of findings and required corrective actions, if any, will be discussed *--with FLC during that State's QAR and a memorandum (Fast Report) will be--* immediately sent to SED. Any required follow-up actions will be coordinated by LSPMD. This review will not be a factor in a State's NIR score rating.

Follow this table to complete FSA-2108, Part B for reviewing **guaranteed loan loss claims**.

Question	Instruction
1	<p><u>Did the lender consider the borrower for interest assistance before the note acceleration?</u></p> <p>2-FLP, subparagraph 357 C and FSA-1980-38, Part E, item 7d require the lender to consider interest assistance before accelerating the borrower's loan(s). The consideration will be documented by written entry in the running record of the FSA loan file according to 2-FLP, subparagraph 355 B. If documentation cannot be found in the running record it may also be documented in the correspondence position of the * * * file or it will be noted on the default status report.</p> <p>If the lender considered interest assistance, the reviewer will answer YES. If not, the reviewer will answer NO. If the borrower voluntarily liquidated or abandoned the collateral, the reviewer will answer N/A.</p>
2	<p><u>Did FSA respond to the lender's liquidation plan within 20 calendar days after receiving the plan?</u></p> <p>2-FLP, subparagraph 358 F requires FSA to approve or request that the lender make revisions to the liquidation plan within 20 calendar days.</p> <p>If FSA approved the plan or notified the lender of necessary revisions within 20 calendar days, the reviewer will answer YES. If not, the reviewer will answer NO. If the lender is PLP, the reviewer will answer N/A.</p>
3	<p><u>Does the * * * file contain reports from the lender about the progress of liquidation?</u></p> <p>2-FLP, subparagraph 266 B requires the lender to submit FSA-1980-44 when a loan becomes 30 calendar days past due and after the lender meets with the borrower regarding the past due status of the loan. When the decision has been made to liquidate the loan, the lender will submit a Default Status Report every 60 calendar days until the loan is liquidated. 2-FLP, subparagraphs 355 C and 358 C and FSA-1980-38, Part E, item 7a state that the lender will comment on the progress of liquidation with these reports.</p> <p>The lender may have provided separate attachments to FSA-1980-44 as comments on the liquidation. Also, FSA officials may have noted in the running record as to the progress of liquidation.</p> <p>If the lender has kept the Service Center informed of the progress of liquidation * * * , the reviewer will answer YES. If not, the reviewer will answer NO. The reviewer will answer N/A for all debt write-down cases.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

K
Completing
FSA-2108, Part B
(Continued)

Question	Instructions
4	<p><u>Does the * * * file contain reports from the lender concerning the accounting of funds and disposition of collateral?</u></p> <p>2-FLP, subparagraph 360 C requires the lender to account for the disposition of loan security and its proceeds and provide for an accounting of the use of loan funds. The lender is to provide a complete accounting of all loan security.</p> <p>The lender is to provide to FSA a copy of the loan ledger indicating loan advances, interest rate changes, protective advances, application of payments, rental proceeds, security proceeds, and security proceeds released for authorized operating expenses, including a running outstanding balance total.</p> <p>If the lender has made a satisfactory accounting of all collateral sold, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
5	<p><u>Did FSA approve of, or attempt to resolve, disputes about an estimated loss claim within 30 calendar days of the lender's submission?</u></p> <p>2-FLP, subparagraph 359 F requires the authorized FSA official to forward the estimated loss claim and supporting documentation to SED with a recommendation to approve or dispute the claim. If the claim is accurate, SED will approve the claim within 30 calendar days of the lender's submission. If there are discrepancies, FSA will attempt to resolve them within 30 calendar days of the submission.</p> <p>If the estimated claim was approved or there is documentation that attempts were made to resolve discrepancies with the lender within 30 calendar days, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If an estimated loss claim was not filed, the reviewer will answer <u>N/A</u>.</p>
6	<p><u>Was an estimated loss claim filed if the lender projected more than 90 days to liquidation?</u></p> <p>2-FLP, subparagraph 359 A and FSA-1980-38, Part E, item 9f require the lender to submit an estimated loss claim to FSA if the lender projects that the liquidation will exceed 90 calendar days.</p> <p>If the lender estimated that the liquidation would exceed 90 calendar days and submitted an estimated loss claim with the liquidation plan, the reviewer will answer <u>YES</u>. Not all PLP lenders will have to submit a liquidation plan; therefore, the file may not contain sufficient information to answer the question; consequently, the reviewer will answer <u>N/A</u>. If the lender estimated that the liquidation would exceed 90 calendar days and did not submit an estimated loss claim, the reviewer will answer <u>NO</u>. If the lender projected a liquidation within 90 calendar days of the liquidation plan approval, the reviewer will answer <u>N/A</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

K
Completing
FSA-2108, Part B
(Continued)

Question	Instructions
7	<p><u>*--Did FSA ensure that the lender was not paid any interest accrued beyond 90 days of the decision to liquidate?</u></p> <p>2-FLP, subparagraphs 359 A and G state that interest accrual will cease 90 calendar days after the decision to liquidate a guaranteed loan. The reviewer should ensure that the estimated loss claim did not include-- * interest beyond 90 calendar days from the date of the decision to liquidate. If the lender did not submit an estimated loss claim, the final loss claim must not include interest beyond 90 calendar days from the date of the decision to liquidate.</p> <p>If the estimated or final loss claim did not include interest beyond 90 calendar days from the date of the decision to liquidate, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
8	<p><u>If the borrower had other loans with the lender which were not guaranteed by FSA, did the lender apply collateral proceeds as well as normal income proceeds to the appropriate loan?</u></p> <p>2-FLP, subparagraph 166 D requires that any chattel-secured guaranteed loan must have a higher lien priority (including purchase money interest) than an unguaranteed loan secured by the same chattels and held by the same lender. It also requires that scheduled installments on the guaranteed loan will be paid *--first. Review the file to determine lien priority and verify if the funds were applied to loans by lien--* priority. Any loans made after the guarantee was issued will be junior to the guaranteed loan. The 1 exception is that protective advances will be paid out of sales proceeds.</p> <p>If the funds were appropriately applied, the reviewer will answer <u>YES</u>. If the funds were not appropriately applied but the Service Center/State Office discovered the error and made appropriate adjustments to recover the funds, the reviewer will answer <u>YES</u>. If the funds were not applied by lien priority, the reviewer will answer <u>NO</u>. If there were no other loans, the reviewer will answer <u>N/A</u>.</p>
9	<p><u>Did the lender obtain an independent appraisal before the liquidation?</u></p> <p>2-FLP, subparagraph 358 B requires the lender to prepare an independent appraisal report on all collateral securing the loan and a calculation of the net recovery value of the collateral.</p> <p>If the independent appraisal was obtained, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the security had already been liquidated and there is nothing left to appraise, the reviewer will answer <u>N/A</u>. If FSA waived the appraisal requirement, the reviewer will answer <u>N/A</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

K
Completing
FSA-2108, Part B
(Continued)

Question	Instructions
10	<p><u>Was every effort made to maximize collection including consideration of a judgement?</u></p> <p>2-FLP, subparagraph 358 B requires the lender to provide their proposed method of maximizing the collection of the debt, which includes specific plans to collect any remaining loan balances on the *--guaranteed loan after loan collateral has been liquidated, including possibilities for deficiency judgment.</p> <p>If the lender provided documentation detailing their proposed method for maximizing collection including the consideration of deficiency judgement, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If a deficiency judgement or other collection efforts could not be enforced because of previous bankruptcy proceedings (Chapter 7) or other documented legal reasons, the reviewer will answer <u>N/A.--*</u></p>
11	<p><u>Did the lender provide a payment ledger showing all interest charges and principal reductions?</u></p> <p>2-FLP, subparagraph 360 C and FMI for RD 449-30 require the lender to provide a copy of the loan ledger. The ledger should include time periods, interest rates, loan advances, loan payments and loan balances.</p> <p>If the lender has furnished the above, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
12	<p><u>Has RD 449-30 been properly completed?</u></p> <p>2-FLP, subparagraphs 359 C and 360 C require that lender estimated and final loss claims be submitted with required supporting documentation. The instructions for RD 449-30 also require supporting information for the claim.</p> <p>*--The reviewer shall ensure that FSA has not overpaid or underpaid the lender as a result of incorrect--* calculations made on RD 449-30. RD 449-30 is to be reviewed for accuracy, based upon the given information for the loss claim and any supporting information attached to the claim.</p> <p>If the reviewer finds that the loss claim has been completed correctly, based upon all available information, then the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

K
Completing
FSA-2108, Part B
(Continued)

Question	Instructions
13	<p><u>Did FSA notify the lender of any discrepancies in the final loss claim, approve, or reject the claim within 40 days?</u></p> <p>2-FLP, subparagraph 360 E requires FSA to notify the lender of discrepancies or approval or rejection of the claim within 40 calendar days. This timeframe is set so that FSA completes a review and notification to the lender in a timely manner.</p> <p>If the lender was notified within 40 calendar days, the reviewer will answer YES. If not, the reviewer will answer NO. If the claim is any type other than a final claim, the reviewer will answer N/A.</p>
14	<p><u>In debt writedown cases, does the * * * file include a copy of SAA entered into by the lender with the borrower?</u></p> <p>2-FLP, subparagraph 328 C requires that the lender provide FSA a copy of the borrower executed FSA 1980-89 for all loans which are written down and secured by real estate.</p> <p>If SAA has been properly completed * * * , the reviewer will answer YES. If not, the reviewer will answer NO. If there was no write-down, the reviewer will answer N/A.</p>
15	<p><u>Has the lender submitted detailed calculation and has FSA correctly calculated the lenders loss before FSA's approval of a debt writedown?</u></p> <p>2-FLP, subparagraph 328 D * * * requires the submission of a current appraisal, a completed report of loss, and detailed write-down calculations which will be documented by FSA officials on FSA-1980-88.</p> <p>*--If the file contains the required documentation, the reviewer will answer YES. If not, the reviewer--* will answer NO. If there was no write-down, the reviewer will answer N/A.</p>

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FLP National Internal Review Guide (Continued)

L

Completing FSA-2109, Part B Follow this table to complete FSA-2109, Part B for reviewing **farm inventory property**.

Question	Instructions
1	<p><u>Was the ADPS 3E transaction processed promptly and according to the ADPS Manual upon acquisition of the inventory property and does system data agree with Service Center records?</u></p> <p>RD Instruction 1955-A, Section 1955.18(a) requires immediate reporting of any acquisition of real or chattel property. For * * * real property, the date of acquisition will be the date the deed to the Government is recorded (voluntary conveyances or foreclosure sales). For chattels, the date of acquisition will be the date the bill of sale (and title, if applicable) is executed transferring ownership to FSA.</p> <p>*--Prompt reporting is considered to be 30 calendar days from the recording of the deed.--*</p> <p>If documentation is found in the file, the reviewer will answer YES. If not, the reviewer will answer NO.</p>
2	<p><u>Was Exhibit G of RD Instruction 1955-A completed before accepting voluntary conveyances?</u></p> <p>RD Instruction 1955-A, Section 1955.10 requires using Exhibit G in determining whether to accept or reject voluntary conveyance offers.</p> <p>If Exhibit G is found in the file, the reviewer will answer YES. If not, the reviewer will answer NO. If this property was not acquired by voluntary conveyance, the reviewer will answer N/A.</p>
3	<p><u>Was Exhibit G-1 of RD Instruction 1955-A completed before determining the bid at either a FSA foreclosure or a third party foreclosure sale?</u></p> <p>RD Instruction 1955-A, Section 1955.15(f)(6) requires using Exhibit G-1 in determining the Government's bid at the foreclosure sale. The correct bid amount will be the lesser of the amount determined in Exhibit G-1, paragraph 4.a., or FSA's gross investment as determined in Exhibit G-1, paragraph 4.b.</p> <p>If Exhibit G-1 is found in the file and the correct bid has been selected, the reviewer will answer YES. If not, the reviewer will answer NO. If the property was not acquired by FSA foreclosure or third party foreclosure, the reviewer will answer N/A.</p>
4	<p><u>Did Exhibit G or G-1 of RD Instruction 1955-A justify the prior lien holder payoff by FSA?</u></p> <p>Exhibit G or G-1, item 4 lists the Government's recovery value after considering all income and expenses relative to security property acquisition.</p> <p>If Exhibit G or G-1 is found in the file, the reviewer will answer YES. If not, the reviewer will answer NO. If no prior lien holder was paid off, the reviewer will answer N/A.</p>

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FLP National Internal Review Guide (Continued)

L
Completing
FSA-2109, Part B
(Continued)

Question	Instructions
5	<p><u>Were the appropriate notices sent to protect the borrower's rights?</u></p> <p>RD Instruction 1955-A, Section 1955.10 requires that FmHA Instruction 1951-S, Exhibit A with Attachments 1 and 2 be sent to any borrower who has not previously received them before FSA accepting a voluntary conveyance.</p> <p>RD Instruction 1955-A, Section 1955.15 requires that FmHA Instruction 1951-S, Exhibit A with Attachments 1 and 2 be sent to each borrower before FSA foreclosure.</p> <p>FmHA Instruction 1965-A, Section 1965.11(c)(1)(i) requires that FmHA Instruction 1965-A, Exhibit B and FmHA Instruction 1951-S, Exhibit A with Attachments 1, 3, and 4 be sent to the borrower upon FSA learning about a third party action.</p> <p>RD Instruction 1955-A, Section 1955.18(h) requires that FmHA Instruction 1951-S, Exhibit M be sent to the borrower-owner of a homestead protection property by certified mail not later than the date of FSA's acquisition.</p> <p>If appropriate documentation is found in the file for the specific situation, the reviewer to answer <u>YES</u>. If not, or the appropriate exhibits were not sent, the reviewer will answer <u>NO</u>. If the inventory property does not include a homestead protection property, the reviewer will answer <u>N/A</u>.</p>
6	<p><u>Was the inventory property inspected, secured, and any necessary maintenance or related tasks performed in order to ready the property for sale in a timely manner?</u></p> <p>RD Instruction 1955-B, Section 1955.64 requires that actions be taken to protect FSA's interests when property is acquired either through voluntary conveyance or foreclosure.</p> <p>If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p> <p>Note: This question does not apply to the 105-calendar-day sale requirement found in RD Instruction 1955-C, Section 1955.107.</p>

Continued on the next page

FLP National Internal Review Guide (Continued)

L
Completing
FSA-2109, Part B
(Continued)

Question	Instructions
7	<p><u>Has the inventory property been visited annually and the results of the inspection visits documented in the case file?</u></p> <p>RD Instruction 1955-B, Section 1955.70 requires an annual inspection or as often as necessary to protect the interest of the Government. This requirement applies to all inventory properties including those involved with leaseback/buyback and homestead protection.</p> <p>If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.</p>
8	<p><u>Have the taxes for the acquisition and maintenance of the inventory property been paid as appropriate?</u></p> <p>RD Instruction 1955-A, Section 1955.5(d) for acquisition of real property; RD Instruction 1955-A, Section 1955.20(g) for acquisition of chattel property; and RD Instruction 1955-B, Section 1955.68 for inventory property require taxes to be paid to the local taxing authority unless State law specifically exempts property owned by the Government from taxation.</p> <p>If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the property is exempt from property taxes, the reviewer will answer <u>N/A</u>.</p>
9	<p><u>Was the property advertised for sale in a timely manner?</u></p> <p>RD Instruction 1955-C, Section 1955.107(a) requires that inventory property be advertised within 15 calendar days from the date of acquisition. If the property is leased at the time of acquisition, the property must be advertised within 60 calendar days after the lease expires. Any pending borrower *--homestead protection rights should be allowed to expire before the property is sold, but the--* advertising of the property must not be delayed pending the expiration of these rights.</p> <p>If documentation is found that either the 15- or 60-calendar-day maximum timeframes for advertising were met, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the property has been in Government inventory less than 15 calendar days, or is subject to a current lease, the reviewer will answer <u>N/A</u>.</p>

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FLP National Internal Review Guide (Continued)

L
Completing
FSA-2109, Part B
(Continued)

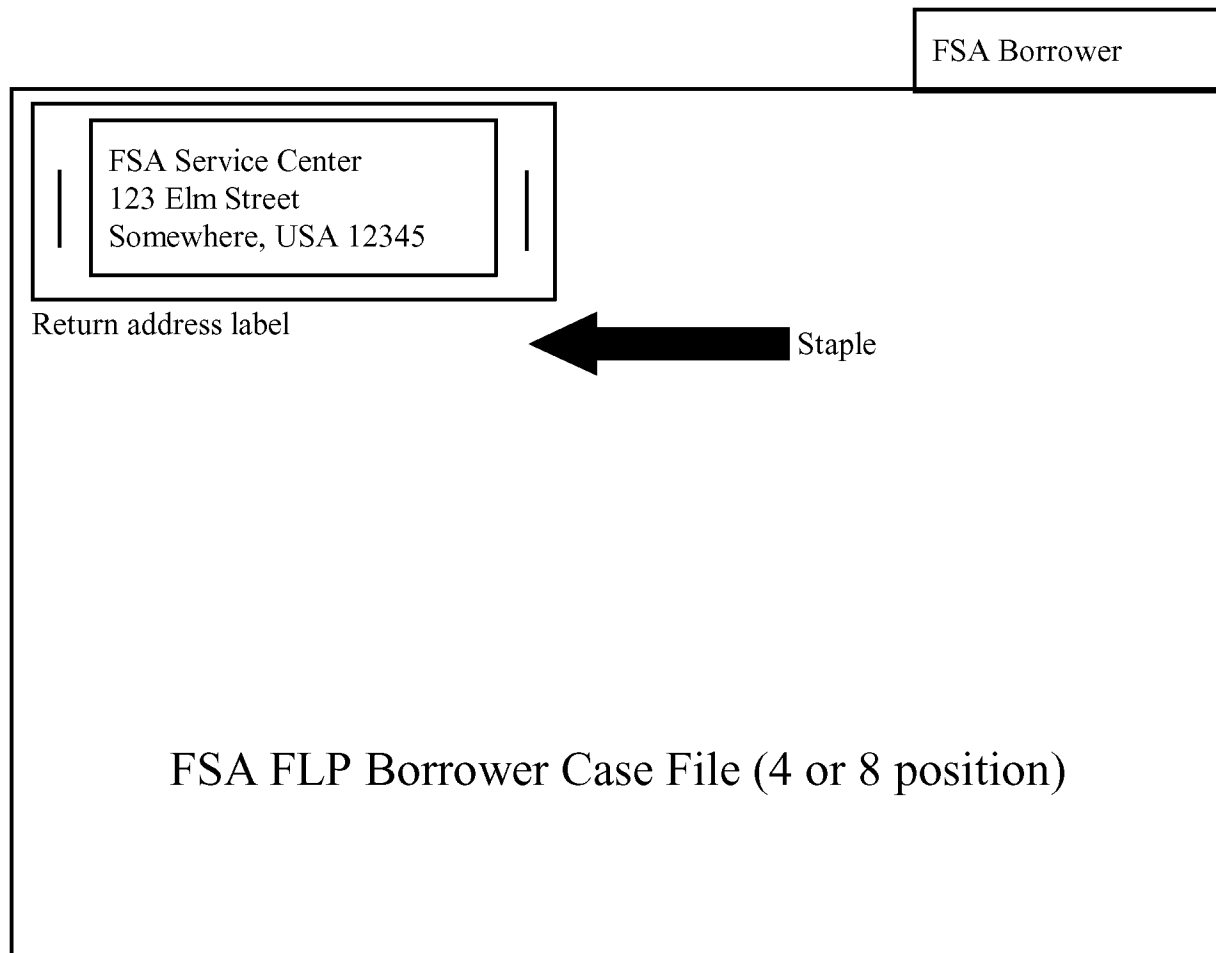
Question	Instructions
10	<p><u>Was the property advertised for sale correctly?</u></p> <p>*--RD Instruction 1955-A, Section 1955.107(a) requires that suitable inventory property will be advertised no later than 15 days from acquisition and give preference for purchase to beginning farmers and ranchers. The advertisement will contain a provision to lease the property to a beginning farmer or rancher for up to 18 months should FSA credit assistance not be available at the time of sale. The first advertisement will not be required to contain the sales price but it should inform potential beginning farmer or rancher applicants that applications will be accepted pending completion of the advertising process. RD Instruction 1955-A, Section 1955.107(b) requires that except where a leasee is exercising the option to purchase under the homestead protection program, surplus property will be offered for public sale by sealed bid or auction within 15 days from the date of acquisition. Suitable property which has been advertised for sale to a beginning farmer or rancher but has not sold within 75 days of the date of acquisition will be offered for public sale by sealed bid or auction to the highest bidder. All prospective buyers will be notified in writing as a part of the property advertisement of the presence of any special characteristics of the property that may limit use. Property will be advertised for sale by publishing, as a minimum, 2 weekly advertisements in at least 2 newspapers that are widely circulated in the area in which the farm is located. Property will be advertised for sale for the appraised market value. The appraised--* value is to be based on the condition of the property at the time it is available for sale.</p> <p>If the reviewer can determine from the file that the property was advertised properly, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the property has been in Government inventory less than 15 calendar days, or is subject to a current lease, the reviewer will answer <u>N/A</u>.</p>
11	<p><u>Was the property sold within the required timeframe?</u></p> <p>*--RD Instruction 1955-C, Section 1955.107(a)(2)(i) requires that suitable farm properties will be sold to a beginning farmer or rancher applicant within 75 calendar days of acquisition of the property. Suitable properties for which no applications from beginning farmers or ranchers are received will be sold within 105 calendar days of acquisition by sealed bid sale or auction. Surplus property must be sold within 105 calendar days of acquisition.--*</p> <p>If the property was sold within the appropriate timeframe, the reviewer will answer <u>YES</u>. If the file contains thorough documentation justifying FSA's prohibition of a timely sale, and verification that the process was completed as far as possible, the reviewer will also answer <u>YES</u>. If a timely sale was not accomplished and there is no justification regarding why, the reviewer will answer <u>NO</u>. If the property meets 1 of the following criteria, the reviewer will answer <u>N/A</u>:</p> <ul style="list-style-type: none"> • in Government inventory less than 15 calendar days • in Government inventory less than 75 calendar days and it has been advertised • in Government inventory less than 105 calendar days, and no beginning farmer applicant to purchase the property applied as a result of the advertising.

FLP National Internal Review Guide (Continued)

L
Completing
FSA-2109, Part B
(Continued)

Question	Instructions
12	<p><u>Was the proper level of environmental review completed and were the appropriate use restrictions placed on the quitclaim deed?</u></p> <p>See RD Instruction 1955-C, Sections 1955.136 and 1955.137 and RD Instruction 1940-G. Any 1 or more of the line items listed on FmHA 1940-22 may trigger the need for use restrictions, easements, or historic preservation, and/or written notification that the property is being sold subject to specific limitations. If the property does not meet the criteria for a categorical exclusion, an environmental assessment will be required.</p> <p>*--If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</p>
13	<p><u>Was the property inspected for hazardous wastes and were the proper actions taken?</u></p> <p>RD Instruction 1955-C, Section 1955.137(g) requires that all inventory property must be inspected for hazardous waste contamination either through using a Preliminary Hazardous Waste Site Survey or Transaction Screen Questionnaire. If possible contamination is noted, a Phase I or Phase II environmental assessment will be completed after seeking the advice of the State Environmental Coordinator.</p> <p>*--If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>.--*</p>
14	<p><u>Was the ADPS 1G/1H transaction, based on FmHA 1955-50A/B completed according to the FMI and the ADPS Manual, processed promptly upon sale of the inventory chattel or real property, and does system data agree with the records of the Service Center?</u></p> <p>RD Instruction 1955-C, Section 1955.142 requires prompt reporting of sale.</p> <p>*--Note: Prompt is considered 30 calendar days from the date of sale.--*</p> <p>If documentation is found in the file, the reviewer will answer <u>YES</u>. If not, the reviewer will answer <u>NO</u>. If the property has not been sold, the reviewer will answer <u>N/A</u>.</p>

FLP Borrower Case File



Prepare a self-adhesive return label and affix it to each FLP Borrower Case file mailed to the National Office as shown in this exhibit. The label should be 1" X 3 ½" and contain the appropriate Service Center's street address. Do **not**:

- use a larger label
- peel the back from the label
- use a label that cannot be easily separated from the back.

It is of utmost importance to provide a legible label as it will be used to return each file to the appropriate FSA Service Center.

***--FY 2002 Quality Assurance Review Schedule**

States	Entrance Conference	Guaranteed Loan Making	Direct Loan Making	Direct Loan Servicing	Guaranteed Loan Servicing	Exit Conference
IA, IL, OH, and WI	Monday 04/29/02	Monday 04/29/02	Tuesday 04/30/02	Wednesday 05/01/02	Thursday 05/02/02	Friday 05/03/02
DE/MD, NJ, PR, VA, and WV	Monday 05/20/02	Monday 05/20/02	Tuesday 05/21/02	Wednesday 05/22/02	Thursday 05/23/02	Friday 05/24/02
AL, KY, LA, MS, and TN	Monday 06/24/02	Monday 06/24/02	Tuesday 06/25/02	Wednesday 06/26/02	Thursday 06/27/02	Friday 06/28/02
AZ, KS, NV, UT, and TX	Monday 07/15/02	Monday 07/15/02	Tuesday 07/16/02	Wednesday 07/17/02	Thursday 07/18/02	Friday 07/19/02
AK, MT, OR, and WA	Monday 08/12/02	Monday 08/12/02	Tuesday 08/13/02	Wednesday 08/14/02	Thursday 08/15/02	Friday 08/16/02

Special Category Reviews (National Office Staff)

States	Debt Settlement	Guaranteed Loan Loss Claim	Inventory Property
IA, IL, OH, and WI	Tuesday 04/23/02	Wednesday 04/24/02	Thursday 04/25/02
DE/MD, NJ, PR, VA, and WV	Tuesday 05/14/02	Wednesday 05/15/02	Thursday 05/16/02
AL, KY, LA, MS, and TN	Tuesday 06/18/02	Wednesday 06/19/02	Thursday 06/20/02
AZ, KS, NV, TX, and UT	Tuesday 07/09/02	Wednesday 07/10/02	Thursday 07/11/02
AK, MT, OR, and WA	Tuesday 08/06/02	Wednesday 08/07/02	Thursday 08/08/02

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DD Oversight Review Manual

A

Use

This exhibit is to be used by DD's in conjunction with FSA-2101 when conducting FLP oversight reviews.

B

Purpose

This exhibit provides specific samples and instructional references that will acquaint DD's with the information and reports needed to conduct FLP oversight reviews.

C

Sample Data

Exhibits 26 through 47 are referenced for FSA-2101, items 5 through 27 and are numbered sequentially.

D

**Instruction and
Handbook
References**

Instruction and handbook references are made to assist with ready identification of the applicable paragraphs to the item of review. Modern terminology or language is noted for convenience although it has not yet been incorporated into the National Instruction.

E

**Use in
Conjunction
With State
Supplements**

The frequency of review for a particular review item, as provided in subparagraph 442 C, may change according to the State Supplement. Review items in this exhibit provide the minimum review to be completed. States that have added review items will need to prepare instructions to supplement those items.

Continued on the next page

DD Oversight Review Manual (Continued)

F

Completing
FSA-2101,
Part A

Follow this table to complete FSA-2101, Part A, Direct Loan Making.

Item	Review Explanation
5	<p>Review a minimum of 5 (or all if there are less than 5) complete applications for notation of “date received” and “date complete” as required by FmHA Instruction 1910-A, Section 1910.4. If dates have not been marked, inform FLM of needed action. <i>Note review results.</i></p> <p>FmHA Instruction 1910-A, Section 1910.4(b) provides that if the application is complete when it is first received, a Service Center Official will enter the filing date on FSA-410-1. FSA-410-1, items 28 A and 28 B should be checked to verify that each item has been completed as appropriate. Review any omissions with FLM or appropriate staff member.</p> <p>Section 1910.4(b) also directs the Service Center employee to enter the date in the “Application Received” and “Application Completed” fields in the Application Processing/Loan Making Screen of MAC. Sections 1910.4(e)(1) and (2) address applications that are incomplete when received and completing FSA-410-1, item 28 B.</p> <p>MAC Report UAA911-R009, “Application Report, All Farm Loan Programs - Direct for Fiscal Year _____”, which can be used to obtain a list of all direct loan applications on hand. This report is obtained by selecting option “9” of the Farm Loan Programs Applications Reports Menu in the MAC system. Use this report to select the sample of files to be reviewed.</p> <p>An example of MAC Report UAA911-R009 is provided in Exhibit 26. Note the column headings indicating, “DATE APPL REC” (date application received) and “DATE COMP APPL” (date of completed application). These fields should be completed for all applications received and all complete applications.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

F
Completing
FSA-2101,
Part A
(Continued)

Item	Review Explanation
6	<p>Review a minimum of 5 (or all if there are less than 5) incomplete applications. Verify that the required notifications have been sent to the applicants regarding items still required for a complete application. Also verify that the applicants have been advised of the appropriate timeframes in which information is to be received by the Service Center, as required in FmHA Instruction 1910-A, Section 1910.4(e)(3). Discuss needed corrective actions with FLM. <i>Note review results.</i></p> <p>The “DATE COMP APPL” field will be blank on MAC Report UAA911-R009 (Exhibit 26) for incomplete applications. Use this report to select the sample of files to be reviewed.</p> <p>FmHA Instruction 1910-A, Section 1910.4(e)(3) establishes the FSA notification requirements to applicants who submit an incomplete application for EM, FO, and OL loans. Section 1910.4(e)(3)(i) provides that “No later than 10 calendar days after receipt of the application, the Agency official will send the applicant a letter similar to FmHA Guide Letter 1910-A-1. The letter will:</p> <ul style="list-style-type: none"> (A) List the additional information needed. (B) State that the application cannot be processed until all required information is received in the County Office. (C) Set a specific due date for the information. This date will be 20 calendar days after the date of the letter.”

Continued on the next page

DD Oversight Review Manual (Continued)

F
Completing
FSA-2101,
Part A
(Continued)

Item	Review Explanation
6 (Cntd)	<p>Section 1910.4(e)(3)(iii) provides that “If the necessary information has not been received from the applicant 20 calendar days after the date of the first written notification of an incomplete application, the Agency official will immediately send the applicant a letter similar to FmHA Guide Letter 1910-A-2.</p> <p>(A) The letter will again list the additional information needed, and state that the application cannot be processed until all the required information is received.</p> <p>(B) The letter will set a due date of 10 calendar days from the date of the letter. It will further state that unless the applicant supplies the required information or contacts the County Office by that date, the application will be withdrawn without further notice.”</p> <p>(C) This letter shall contain the ECOA statement established in subparagraph 41 C.</p> <p>(D) A copy of the letter must be sent to DD at the same time it is sent to the applicant.</p> <p>Section 1910.4(e)(3)(iv) provides that “If the applicant has not contacted the County Office by the due date set in the second notification letter, the Agency official will withdraw the application.”</p> <p>Note: Withdrawn applications shall be handled according to 25-AS, subparagraphs 84 B and C.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

F
Completing
FSA-2101,
Part A
(Continued)

Item	Review Explanation
7a	<p>Review complete applications on hand to ensure that an eligibility determination has been made and to verify that the applicant has received notification of the decision within prescribed timeframe as required in FmHA Instruction 1910-A, Sections 1910.6(a) and/or (b), as applicable. <i>Note review results.</i></p> <p>FmHA Instruction 1910-A, Section 1910.6(a) provides that the Agency official will notify an eligible “applicant within 5 calendar days of the determination”. Section 1910.6(b)(1) provides that in the case of an ineligible applicant, the Agency official “will notify the applicant in writing of the unfavorable decision within 5 calendar days of the determination”.</p> <p>MAC Report UAA911-R009 (Exhibit 26) includes the date of the eligibility determination in the “ELIG DET DATE” column. Compare this date to the date that the eligibility notification, provided under Section 1910.6(a) or 1910.6(b)(1), was sent.</p>
7b	<p>Review all applications that have been denied and/or rejected since last review. Ensure that the reasons for an ineligibility or disapproval decision have been documented. Also ensure that the appropriate appeal or review rights and ECOA statement have been included in the letter of notification to the applicant. Reference 1-FLP, subparagraph 41 C, FmHA Instruction 1910-A, Sections 1910.6(b)(1), (2), and (d), and 1-APP. Discuss with FLM actions needed to ensure that application processing is completed correctly and applicant has been notified within prescribed timeframe. <i>Note review results.</i></p> <p>Sections 1910.6(b)(1) and 1910.6(d) require that written notice of an ineligibility or unfavorable decision include the “specific reasons and factual basis for the denial”. Both sections further require that the ECOA statement and appeal rights be included on all notifications of unfavorable decisions. Refer to subparagraph 41 C for the ECOA statement and 1-APP for appeal procedures.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

F
Completing
FSA-2101,
Part A
(Continued)

Item	Review Explanation
7b (Cntd)	<p>Section 1910.6(b)(2) provides the letter advising an ineligible “applicant or borrower of the decision will contain only those reasons pertaining to the ineligibility determination”. This section further requires that “the specific reasons for the rejection and the factual basis will be clearly documented in the county case file”.</p> <p>MAC Report UAA911-R009 (Exhibit 26) also shows the final disposition action in the “FINL DISP” column, by an indication of “A” for approval, “W” for withdrawn, and “R” for rejected applications. Applications coded with an “R” will be reviewed for this item.</p>
8	<p>As a follow-up to the requirements of FmHA Instruction 1910-A, Section 1910.4(j)(1)(ii)(B), discuss with FLM final actions necessary to approve or disapprove complete applications on hand past the 45-calendar-day timeframe prescribed in FmHA Instruction 1910-A, Section 1910.4(j)(1). Provide comments addressing the last action taken, current action in progress, the next action to be taken and the anticipated completion date for processing. Also review average processing timeframes and discuss with FLM. Use MAC report “Application Statistics for FY ____” to view average processing intervals. <i>Note review results.</i></p> <p>FmHA Instruction 1910-A, Section 1910.4(j)(1) provides that “Each application must be approved or disapproved and the applicant notified in writing of the action taken, not later than 60 days after receipt of a complete application.” Section 1910.4(j)(ii) further provides that “If a complete application is not approved or disapproved 45 calendar days after all necessary information is received”, the reason the application remains pending will be noted in MAC. Section 1910.4(j)(ii)(B) requires that “Every week the District Director will generate a report, using the FOCUS Ad-Hoc Reporting System, based on the weekly upload of information from each county office (MAC) data base. The District Director will note each complete application pending more than 45 calendar days, and immediately take steps to ensure that final disposition on the application is taken no later than 60 calendar days after receipt of the complete application.”</p>

Continued on the next page

DD Oversight Review Manual (Continued)

F
Completing
FSA-2101,
Part A
(Continued)

Item	Review Explanation
8 (Cntd)	<p>Applications with a complete date, “DATE COMP APPL”, shown on MAC Report UAA911-R009 (Exhibit 26) and without a day count under the days to final disposition column entitled, “DAYS TO FINAL DISP”, need to be reviewed for any potential problems with the loan processing. Discuss information necessary to continue application processing with FLM.</p> <p>MAC Report UAA9A4-R004, “Application Statistics for FY _____”, will provide specific information for the number of applications in each stage of loan processing. This report can be obtained by choosing option 10 from the Application Reports Menu, then option 4 for “Application Statistics”. An example of MAC Report UAA9A4-R004 is provided in Exhibit 27.</p>

G
Completing
FSA-2101,
Part B

Follow this table to complete FSA-2101, Part B, Direct Loan Servicing and Property Management.

Item	Review Explanation
9	<p>Review “BORROWERS WITH LOANS 90 DAYS OR MORE PAST DUE” category of the current month’s Report Code 540, “Status of Farm Credit Programs”. Review MAC Report UAA395-R001, “1951-S History Report”. Compare these reports to ensure that required servicing and administrative offset notifications are being mailed out by the Service Center staff as prescribed in FmHA Instruction 1951-S, Section 1951.907 and RD Instruction 1951-C, Section 1951.104. Discuss any concerns with FLM to determine the appropriate actions needed to resolve delinquencies and complete servicing within the statutory timeframes. <i>Record findings as necessary.</i></p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
<p>9 (Cntd)</p>	<p>Report Code 540 lists the names and case numbers of “BORROWERS WITH LOANS 90 DAYS OR MORE PAST DUE” as the first category of accounts on the report. The letter “A” will be located to the left of the name the first month the borrower is included in this category.</p> <p>FmHA Instruction 1951-S, Section 1951.907(c) provides that “Within 15 days of receiving the Finance Office monthly status report of Farm Loan Programs borrowers, servicing officials will review the report and send FLP borrowers, who are 90 days past due (60 days delinquent), Exhibit A of this Instruction with Attachments 1 and 2 by certified mail, return receipt requested.”</p> <p>FmHA Instruction 1951-S, Section 1951.903(a) requires that servicing officials “make full use of the National automated tracking system to track and manage the FLP primary and preservation loan servicing and debt settlement”. Therefore when servicing notices are sent to borrowers, the information must be entered into the MAC system. This information can then be retrieved from MAC Report UAA395-R001, which is generated for an individual borrower. It reflects servicing actions that have been completed as well as those pending. On this report, the “Open” activities are annotated to the left of the servicing action and have an annotation of “I” indicating that the action is incomplete to the right of the date. Check this report to see that all borrowers with loans 90 calendar days or more past due have been entered into the MAC system, and that the servicing notices have been sent.</p> <p>Section 1951.104 states that “The responsible Agency official will notify all borrowers that are 90 days past due (60 days delinquent) on their FLP loans, by sending RD Form Letter 1951-C-1 and that if the account remains in default, any Federal payment to them, including those from the Agency, will be offset and applied on their debt.” This section also provides for the 30-calendar-day response time that borrowers are allowed.</p> <p>Verify that all borrowers listed in the “BORROWERS WITH LOANS 90 DAYS OR MORE PAST DUE” section of Report Code 540 who were sent the servicing notices, were also sent the appropriate offset letters. Offset notices are tracked on MAC Report UAA395-R001.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
9 (Cntd)	<p>MAC Report UAA921-R001, “Direct Loan Servicing Report, All Open Activities”, provides a comprehensive list of all accounts in the Service Center area with open activities. Use this report, along with MAC Report UAA395-R001, as necessary, to track progress in resolution of delinquencies to ensure that servicing applications are processed according to the statutory timeframes of FmHA Instruction 1951-S.</p> <p>An example of Report Code 540, MAC Report UAA395-R001, and MAC Report UAA921-R001 are provided in Exhibits 28 through 30.</p>
10	<p>Review “BORROWERS WITH LOANS THAT MAY REQUIRE ATTENTION” category of the current month’s Report Code 540 report. Review “Subject to Approved Adjustment” (SAA) accounts with FLM to ensure that all payments are being made per the confirmed bankruptcy plan or, an approved adjustment plan under the provisions of RD Instruction 1956-B, and that these payments are current. If payments are not being made according to plan, discuss appropriate actions to be taken with FLM. <i>Record findings as necessary.</i></p> <p>Report Code 540 (Exhibit 28) lists “BORROWERS WITH LOANS THAT MAY REQUIRE ATTENTION” as the third loan category of this report. SAA accounts, if any, will be shown in this category. The installments due on these accounts have been either modified in bankruptcy according to a confirmed plan or have been debt settled by an approved adjustment plan. The borrower case file should contain a copy of the scheduled payments as per the bankruptcy plan and a letter to notify the Finance Office of the installment change or a copy of FmHA 1956-1. Review collections to see if payments have been made on the borrower loans according the schedule as provided in the confirmed plan or FmHA 1956-1.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
11	<p>Review accounts in the “BORROWERS WITH LOAN LESS THAN 90 DAYS PAST DUE” on current month’s Report Code 540. Discuss accounts with FLM to facilitate early resolution of delinquencies wherever possible, and to prevent accounts from entering the “90 day or more” category. <i>Note review results.</i></p> <p>The second loan category on Report Code 540 (Exhibit 28) lists “BORROWERS WITH LOAN LESS THAN 90 DAYS PAST DUE”. Discuss any actions FLM is taking with any accounts listed in this category. Accounts in this category may need closer attention and servicing actions, such as analysis, development of FSA-431-2, or security servicing. Investigating the reasons for delinquency early can save the borrower and the government unnecessary expenses in the future.</p>
12	<p>Review a sample of at least 5 collections from the previous quarter using FSA-603 and CCC-257 to verify that payments on borrower accounts are being processed timely. Verify that payments are being applied correctly to the various borrower loans per RD Instruction 1951-A, Section 1951.9 and according to 3-FI. Note: This review should also be completed in type 3 offices where collections for loan payments have been made. <i>Note review results.</i></p> <p>Procedure for handling State and County Receipts and Deposits are addressed in 3-FI. Remittances on loan accounts are to be recorded on FSA-603 immediately and deposited according to 3-FI. Remittances should be recorded on CCC-257 the same day of deposit. Compare date of collections on FSA-603 with dates of deposit on CCC-257 to determine whether timeframes of 3-FI, subparagraph 18 C are being met. CCC-257 and FSA-603 are to be filed according to 25-AS, Exhibit 41.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
12 (Cntd)	<p>RD Instruction 1951-A, Section 1951.9 provides guidance on the “Distribution of payments when a borrower owes more than one type of (FSA) loan”. This section assigns priorities to the distribution of regular payments, distribution of extra payments and application of payments. “Distribution” is defined in this section as “dividing a payment into parts according to the rules set out in this section”.</p> <p>RD Instruction 1951-A, Sections 1951.10 and 1951.11 further describe the “Rules for selection of accounts”. The rules in this section “govern the selection of accounts and installments to which payments will be applied”.</p> <p>Careful attention to payment applications can avoid unnecessary delinquencies and prevent a loss of equity on security property by maintaining principal pay down on a loan. DD will sample collections in all Service Centers where payment collections are taken to ensure that correct and efficient payment application is made.</p>
13	<p>Review a sample of at least 5 borrower files to verify that borrower accounts are being classified as required in FmHA Instruction 2006-W, Section 2006.1103. <i>Note review results.</i></p> <p>FmHA Instruction 2006-W, Section 2006.1103 provides the “Servicing official responsibilities for classification of direct borrower accounts”. Section 2006.1103(a) provides that “Servicing officials will ensure that all FLP borrower accounts are classified annually”. Section 2006.1103(b) provides that “Loan accounts for new borrowers will be classified after the borrower receives the initial FLP loan, and will be based on a financial statement which includes the initial loan and any changes in debt and assets..., including refinancing and assets purchased with new loan funds.”</p> <p>Section 2006.1103(c) requires the annual update of borrower classification is required by the earlier of October 1 of each year or when a borrower obtains a new loan (from FSA or another lender), an account becomes delinquent or is in default, an account is restructured or adjusted through bankruptcy, a subordination of FSA’s lien priority is approved, or when other loan servicing actions involving financial analysis occurs.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
14a	<p>Obtain the following information from Report Code 540, MAC, or other Service Center Tracking Systems and employees to evaluate status of completed year-end analysis. Year-end analysis is required for borrowers as indicated in FmHA Instruction 1924-B, Section 1924.55(d).</p> <p>(1) Number of borrowers with limited resource loans. <i>(Report Code 540)</i></p> <p>(2) Number of borrowers who received chattel subordinations previous fiscal year. <i>(MAC Report)</i></p> <p>(3) Number of borrowers who received new loans in the previous fiscal year. <i>(MAC Application Report from previous FY)</i></p> <p>(4) Number of borrowers with accounts that had received servicing under FmHA Instruction 1951-S within the last year. <i>(Report Code 540 – 1M and 3R within previous year)</i></p> <p>(5) Number of borrowers with deferred loans. <i>(Report Code 540)</i></p> <p>(6) Number of borrowers requesting servicing per FmHA Instruction 1951-T. <i>(Tally Sheet - forthcoming in MAC)</i></p> <p>(7) All borrowers who are financially distressed or delinquent. <i>(Report Code 540 and MAC “Direct Loan Servicing Report - All Open Activities Report”)</i></p> <p>FmHA Instruction 1924-B, Section 1924.55(d) provides a summary of borrowers required to have year-end analysis of their farming operations. The situations listed above are specifically identified in this section. In addition to those listed, Section 1924.55 also provides that “All other borrowers will receive a year-end analysis at the discretion and judgement of the” FLM. This section further provides that the annual analysis should be completed, “whenever possible, within the 60-day period after completion of the borrower’s business year or farm budget planning period”.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
14a (Cntd)	<p>The references made in parentheses after each of the categories of borrowers requiring analysis reflect the sources for identifying borrowers included in the category. Report Code 540 (Exhibit 28) identifies the limited resource loans with an “LR” code under the borrower’s name for each limited resource loan.</p> <p>A report of all subordinations for a Service Center can be obtained by using the MAC WLS code 4030. An example of the MAC WLS code 4030 report is provided in Exhibit 31.</p> <p>All borrowers who received loans in the previous fiscal year will be listed in MAC Report UAA911-R009 (Exhibit 26). This report, obtained for the prior fiscal year, shows all approved and closed loans in that fiscal year.</p> <p>Report Code 540 should be used to identify borrowers who received servicing on their loan accounts under FmHA Instruction 1951-S. ADPS transaction codes “1M” and “3R” annotated to the far right of the borrower name and case number indicate that the borrower has had loan servicing or restructuring. These codes are also accompanied by date (2-digit month and 2-digit year). The “1M” code indicates that the account has been rescheduled or reamortized with new rates and terms. The “3R” code indicates that the account has received a writedown. The date just to the right of the code indicates when the transaction took place. Accounts that are deferred will have a “DFRL” notation below the borrower’s name and in front of the deferred loan.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
14a (Cntd)	<p>A list of borrowers who have requested servicing according to FmHA Instruction 1951-T can be obtained by using MAC WLS code 5013. A list of those who have received servicing under this instruction can be obtained using MAC WLS code 5017. Year-end analysis should be performed in the year the servicing is requested and the year after. In the first case, the borrower is financially distressed or delinquent, and in the later case, the borrower's account has received a deferral of a loan installment.</p> <p>Finally, as provided by Section 1924.55(d), annual analysis is required for borrowers who are financially distressed or delinquent. Use Report Code 540 (Exhibit 28) to find the names of borrowers in the "BORROWERS WITH LOANS 90 DAYS OR MORE PAST DUE" and "BORROWERS WITH LOANS LESS THAN 90 DAYS PAST DUE" categories. MAC Report UAA921-R001 (Exhibit 30) will provide the names of others who are financially distressed and have requested servicing.</p>
14b	<p>Discuss and plan with FLM any needed actions to complete all required year-end analyses. Review MAC WLS 4025 report to verify that completed analyses have been entered in MAC. Provide comments as to the timeliness of completion of year-end analyses required for this office for this fiscal year.</p> <p>A list of analyses that have been completed and entered into the MAC system can be obtained using MAC WLS code 4025. Review of this list and discussion with FLM will provide insight as to the number of analyses that have been completed year to date and the anticipated time for completion of all required annual analyses for the service area. A sample of the MAC WLS code 4025 report is provided in Exhibit 32.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
15	<p>Review MAC WLS code 4010 report and MAC WLS code 4015 report with FLM to determine the number of FSA-1962-1's and Security Agreements (FSA-440-4, FSA-440-4A, and/or RD 440-15) required to be in effect. Review the greater amount of 5 files or 10 percent of the borrower files requiring chattel and/or security agreements to ensure that these required agreements are being generated and signed by the borrowers and FLM or FLO. <i>Note review results.</i></p> <p>FmHA Instruction 1962-A, Section 1962.17(a)(2) provides that "Section 1924.56 requires that there must always be a current" FSA 1962-1 "in the file of a borrower with a loan secured by chattels". Section 1924.56 cites the responsibility of FLM. It provides that "At least 60 days prior to the end of the borrower's business year, or farm budget planning period, send borrowers with loan secured by chattels a letter similar to Exhibit A and Attachment 1 of this subpart along with blank" copies of FSA 431-2 and FSA-1962-1. It further provides that FSA-1962-1 "does not expire until the proper disposition of the listed chattel security has been accomplished, or the remaining security has been transferred to a new" FSA-1962-1.</p> <p>MAC WLS code 4010 can be used to obtain a list of accounts that need "Follow Up 1962-1". MAC WLS code 4015 can be used to obtain information on those accounts that will require "Follow-Up With Security Agreement". Examples of the MAC WLS code 4010 and MAC WLS code 4015 reports are provided in Exhibits 33 and 34.</p> <p>FmHA Instruction 1941-B, Section 1941.57 establishes the requirements, including the security instruments, for closing loans secured by chattels. This section directs that a new security agreement will be required for all initial loans and subsequent loans when the property to serve as security is not specifically described in the previous security agreement. "An additional security agreement may also be executed to reflect significant changes in security", and "An additional security agreement is not necessary if the existing security agreement covers all types of chattels that will serve as security for the subsequent loan, describes the land on which the crops or fixtures are or will be located, and was executed within 1 year before the crops which are offered as security became growing crops."</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
15 (Cntd)	Review a sampling of the files that have been identified as needing a new FSA-1962-1 and Security Agreements (FSA-440-4, FSA-440-4A, or RD 440-15), as appropriate, to ensure that the appropriate actions are being completed in the Service Center.
16	<p>Coordinate and schedule field visits to problem and delinquent borrowers with FLM to assess farming operations. Make at least 1 farm visit per Service Center per year. Use MAC WLS code 2050, “Delinquency Visit (Field)”, for a listing of scheduled field visits, both pending and completed. <i>Note review results.</i></p> <p>FmHA Instruction 1924-B, Section 1924.73 provides for follow-up supervisory actions. It states that “The District Director or designated parties will see that the County Office staff correctly assesses agricultural operations in accordance with section 1924.55, and develops and adheres to a supervisory plan leading to borrower graduation, with or without Agency guarantee assistance. They will ensure that an effective supervised credit program is carried out. This responsibility requires visits to evaluate a sufficient number of such cases to determine what additional training is needed by the” FLM “to improve the quality of assessments and supervision described in this subpart. Follow-up actions will be performed periodically to obtain the desired results in each County Office area.”</p> <p>The MAC WLS code 2050 provides a list of those accounts which may need additional help in over coming problems. This WLS report should be updated when farm visits are made to these borrowers. An example of the MAC WLS code 2050 report is provided in Exhibit 35.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
17	<p>Limited Resource Reviews:</p> <p>Review a minimum of 5 (or all if less than 5) accounts identified on the Report Code 660D, “Limited Resource Loan Review”, and Report Code 660A, “Limited Resource Loan Review Report Past Due Reviews”, as applicable, to ensure that:</p> <ul style="list-style-type: none"> a. LR reviews are being scheduled and completed by FLM or FLO b. MAC WLS code 4000 is being updated upon review completion c. reviews are being documented in case files for continued need of LR rate as per RD Instruction 1951-A, Section 1951.25 d. the 8M or 8R ADPS transactions are processed. <p><i>Note review results and discuss any needed follow-up action with FLM.</i></p> <p>RD Instruction 1951-A, Section 1951.25 provides for the review of limited resource FO, OL, and SW loans. The frequency of reviews are set out as follows, “OL, FO, and SW loans will be reviewed each year at the time the analysis is conducted in accordance with Subpart B of Part 1924 of this chapter and any time a servicing action such as consolidation, rescheduling, reamortization or deferral is taken”.</p> <p>FmHA Instruction 1924-B, Section 1924.55 requires that documentation be entered into the borrower’s case file as to the reason for the year-end analysis. As was explained in item 14a, all limited resource accounts are required to have an year-end analysis. The documentation should include a summary of the outcome of the analysis. A review of a sampling of these borrower case files will reveal if this documentation has been completed.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
17 (Cntd)	<p>Report Code 660D, “Limited Resource Loan Review”, identifies borrower loans with limited resource rates and is provided to the County Office on a quarterly basis. Use all reports for the fiscal year to date to select the review sample. An example of Report Code 660D is provided in Exhibit 36.</p> <p>Report Code 660A, “Limited Resource Loan Review Report Past Due Reviews”, identifies borrower loans requiring limited resource rate review that have not yet been completed or have not yet had the ADPS transaction completed. Discuss any needed actions with FLM. An example of Report Code 660A is provided in Exhibit 37.</p> <p>A review of the MAC WLS code 4000 report, “1-Year Limited Resource Review”, will indicate if these reviews have been completed and entered into the MAC system. If these reviews have not been completed by the “DUE DATE” reflected on the report, check with FLM to see if these reviews have been scheduled. An example of the MAC WLS code 4000 report is provided in Exhibit 38.</p> <p>The screen prints of ADPS transaction codes 8M, “Limited Resource Loan Review”, or 8R, “Interest Rate Adjustment”, will provide confirmation of the review transaction completions and the date of entry into the ADPS system. Paragraph 52 states that “Screen printouts must be retained in position 2 of the case folder according to 25-AS retention requirements for the folder and its entire contents”. Review documents in position 2 of the borrower case file to see if this documentation is present. An example of the ADPS screen print of the 8M and 8R transactions are provided in Exhibits 39 and 40, respectively.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
18	<p>Graduation Review:</p> <p>Review County Office Graduation Operational File established according to 25-AS, Exhibit 40.5, WLS Reports, and January Report Code 736, “Annual Review and Classification of Farm Loan Borrowers”, to verify:</p> <ul style="list-style-type: none"> a. lender surveys are being completed annually as per RD Instruction 1951-F, Section 1951.261 b. borrowers are being reviewed for potential to graduate as per RD Instruction 1951-F, Section 1951.262 c. documentation of graduation efforts as per RD Instruction 1951-F, Section 1951.262 is being completed. <p><i>Note review results and discuss any needed follow-up action with FLM.</i></p> <p>RD Instruction 1951-F provides guidance for analyzing credit needs and borrower graduation. Section 1951.261 requires that Service Center officials contact commercial lenders to explain FSA graduation requirements and obtain information on the lender’s underwriting criteria. Lender contacts must be documented in either a narrative format or on Exhibit A of the instruction and maintained in the FLP program files according to 25-AS.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
18 (Cntd)	<p>Section 1951.262 provides instruction for annual notification to all direct FLP borrowers, creating a list of prospective lenders and the graduation review period. This section states that “The Finance Office will furnish each Servicing Office, by each January, a loan classification report identifying all direct FLP borrowers. Graduation reviews should be completed by July 1 of each year.” Report Code 736, “Annual Review and Classification of Farm Loan Borrowers as of January”, will be used for the graduation review. An example of Report Code 736 is provided in Exhibit 41.</p> <p>This section also provides documentation requirements for those borrowers who, upon initial screening, “obviously cannot graduate” and for those borrowers who are determined to be graduation candidates but are unable to graduate. It provides that “Borrowers who are classified "commercial" or "standard" are considered graduation candidates after screening out the borrowers that obviously cannot graduate”. “Agency Official will perform a desk review of the borrower’s case file. If the borrower is still unable to graduate, the reasons will be documented in the case file.” A sample review of the case files for borrowers who were considered obviously unable to graduate as well as those who were considered graduation candidates will indicate if the documentation requirements are being met.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
19	<p>Review most current Report Code 597-A, “Farm Credit Programs Inventory”, and Inventory Property Files for each inventory property to verify that:</p> <ul style="list-style-type: none"> a. ADPS transaction 3E was processed promptly as per RD Instruction 1955-A, Section 1955.18(a), which requires immediate reporting of any acquisition of real or chattel property b. Homestead Protection was offered to the former borrower and/or owner as per RD Instruction 1955-A, Sections 1955.18(h) and (i), if the property has a dwelling c. the suitability determination has been documented d. the property was inspected, secured, and any necessary maintenance was performed as per RD Instruction 1955-B, Section 1955.64 e. the property was advertised for sale in a timely manner as per RD Instruction 1955-C, Section 1955.107(a) f. the property was sold within the required timeframe as per RD Instruction 1955-C, Section 1955.107(a)(2)(i) g. ADPS transaction 1G and/or 1H (as appropriate) was processed promptly upon sale of the property. <p><i>Note review results for items a through g.</i></p> <p>Report Code 597-A lists all properties held in inventory with a Service Center. A review of each former borrower or inventory case file is necessary to ensure that items a through g are completed. A sample of Report Code 597-A is provided in Exhibit 42.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
19 (Cntd)	<p>“3E” is the ADPS transaction code for “Acquisition - Property”. Subparagraph 52 E requires that screen prints of each transaction be retained in position 2 of the case file.</p> <p>Subparagraph 52 G also requires that “Users must process transactions within 10 calendar days of the effective date. If a discrepancy occurs, the transaction must be corrected within 5 calendar days of the initial rejection date.” RD Instruction 1955-A, Section 1955.18 also requires that “For FSA properties only, the date of acquisition will be the date the deed to the Government is recorded for a voluntary conveyance or foreclosure sale; or for chattels, the date the bill of sale (and title, if applicable) is executed transferring ownership to FSA. Form RD 1955-3 and Form RD 1955-3A or Form RD 1965-19 will be processed promptly without waiting for the final report on sale from OGC where required.” Check the date of the ADPS 3E transaction screen print, contained in position 2 of the inventory file, to verify compliance with these requirements.</p> <p>Section 1955.18(h) provides that “Not later than the date of acquisition of a real property by FSA, the County official will notify the borrower-owner of homestead protection rights by sending Exhibit M of Subpart S of Part 1951 of this chapter to the borrower-owner certified mail, return receipt requested”. Review correspondence in position 4 of the former borrower or inventory file to verify that this requirement was met.</p> <p>Section 1955.63(d)(2) provides that “The District Director will assist the” FLM “in determining suitability of farm and SFH property as provided in this section”. Review the inventory file to check for documentation or any other evidence of inspection, suitability classification, notations of needed repairs or actions required by this section.</p> <p>RD Instruction 1955-B, Section 1955.64 provides requirements for securing, maintaining and repairing inventory property. It provides that “When property is acquired, the servicing official shall inspect the property and take the necessary steps to see that it is secured and maintained” and that “The servicing official is responsible for initiating actions to assure that the value of the inventory property is preserved”. In addition, Section 1955.64(a) provides the basic repair policy. After the a suitability determination of is made, repairs will be made to acquired properties as described in this section.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

G
Completing
FSA-2101,
Part B
(Continued)

Item	Review Explanation
19 (Cntd)	<p>RD Instruction 1955-C, Section 1955.107 governs the sale of FSA property (CONACT). It provides the parameters for the sale of property classified as suitable and property classified as surplus. In both cases, suitable or surplus, the property must be advertized or offered for sale within 15 calendar days of acquisition. This section sets forth the pricing, selection of purchaser and credit sale procedures for the sale of suitable property. Review the inventory property file for compliance with these requirements.</p> <p>For inventory properties that have been sold, a screen print of ADPS transaction 1G, "Credit Sale", or 1H, "Cash Sale/Transfer - Acquired Property", should be found in position 2 of the inventory property file. Check the file for 1 of these 2 screen prints.</p>

H
Completing
FSA-2101,
Part C

Follow this table to complete FSA-2101, Part C, Guaranteed Loan Making and Servicing.

Item	Review Explanation
20	<p>Use MAC Report UAA90100, "All Farm Loans Guaranteed", to review the greater of 10 percent or 5 guaranteed loan applications received or pending since last review. Determine lender type using the lender status code indicated on MAC Application Information Screen UAA20601 or FSA-1980-38 on file in Service Center operational lender files. Check application processing timeframe for compliance with 2-FLP, Part 6. Note any deficiencies and discuss with FLM.</p> <p>2-FLP, paragraph 83 provides the application processing timeframes by lender type. Complete applications from SEL need to be approved or rejected no later than 30 calendar days after receipt. Complete applications from CLP and PLP lenders must be approved or rejected no later than 14 calendar days after receipt.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

H
Completing
FSA-2101,
Part C
(Continued)

Item	Review Explanation
20 (Cntd)	<p>2-FLP, subparagraph 84 B describes the DD responsibilities for overseeing the approval process and monitoring unprocessed applications. It states that “DD shall take all steps necessary to ensure that applications are processed as quickly as possible”. It also suggests some steps that DD can take to adhere to this requirement.</p> <p>MAC Report UAA917-R008, “Application Report, All Farm Loan Programs - Guaranteed for Fiscal Year __”, provides the name of the applicant and the lender name. The “DYS TO FINAL DISP” field indicates the number of days to approve, reject, or withdraw. An example of MAC Report UAA917-R008 is provided in Exhibit 43.</p> <p>MAC Application Information Screen UAA20601 shows the “Lender Status Code” that was input with the application information. This code indicates the type of lender submitting the application. The letter “E” is entered for SEL, the letter “C” is entered for a CLP lender, and the letter “P” is entered for a PLP lender. An example of Screen UAA20601 is provided in Exhibit 44.</p> <p>FSA-1980-38, item 4 establishes the type of lender that the agreement covers. These forms should be on file for each lender in the lender operations files, filed according to 25-AS, Exhibit 40.5. Check FSA-1980-38 for each lender that has an application on file to find the lender type.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

H
Completing
FSA-2101,
Part C
(Continued)

Item	Review Explanation
21	<p>Review the greater of 5 files or 20 percent of interest assistance (IA) loan caseload for compliance with the requirements of 2-FLP, Part 9. Use MAC WLS code 4046, “Interest Assistance Review”, data for guaranteed loans with IA. <i>Note review results and discuss needed changes with FLM.</i></p> <p>MAC WLS code 4046, “Interest Assistance Review”, will provide a list of accounts with interest assistance. An example of the MAC WLS code 4046 report is provided in Exhibit 45.</p> <p>2-FLP, paragraph 224 provides the eligibility guidelines, repayment terms, interest rates, feasible plan requirement, term of FSA-1980-64, and the treatment of nonessential assets for new IA requests.</p> <p>Annual requests for IA payment or continuation is governed by 2-FLP, paragraph 228. A table for the steps of the FSA review is provided in 2-FLP, subparagraph 228 F. Step 1 of this table provides that “The Agency will review the claim and the supporting documentation within 3 workdays of receipt. If the information and the supporting documentation is not complete and correct, the reviewing official will notify the lender in writing of the actions needed to correct the request.” Step 2 of this table describes the documentation required for the review. It states that “The reviewing official shall document a comparison of actual and projected income and expenses. Any major differences from previous projections to actual performance as well as major changes from the previous year’s balance sheet should be noted.” Check for the documentation for this information, as well as the timeliness of processing, when reviewing the sampling.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

H
Completing
FSA-2101,
Part C
(Continued)

Item	Review Explanation
22	<p>Review the GLS2001 report, “Listing of Delinquent Borrowers”, and discuss with FLM any problem-guaranteed loan accounts, loss claims, and servicing actions needed or currently being implemented according to 2-FLP, Part 12. <i>Note review results and any actions for follow-up.</i></p> <p>GLS is an automated records management and accounting system for guaranteed loans. The record for each loan request is initiated at the time the application is received at the Service Center. If the loan request is approved, the obligation for funds will also be processed in this system, setting up an account for a borrower with the lender. This system provides a myriad of reports that can be used to manage the guaranteed loan portfolio of the Service Center.</p> <p>The GLS2001 report provides a concise list of those guaranteed loans that are delinquent. This report also allows for a brief description of the servicing actions that are in process. In addition to this report, the GLS2002 report, “Guaranteed Loans Behind Schedule”, and the GLSNT06 report, “Notice of Final Maturity Date of Guaranteed Loan”, can also be used for early detection of other potential problem accounts. Early recognition of potential problems can reduce the number of distressed or delinquent accounts and stave off lengthy servicing processes for the lender and FSA staff. An example of the GLS2001 report is provided in Exhibit 46.</p> <p>2-FLP, Part 12 provides instruction guiding the servicing of distressed accounts or delinquent loans. 2-FLP, Part 12, Section 1 covers monetary and nonmonetary defaults. 2-FLP, paragraph 300 states that “(borrowers are) in default when they are 30 days past due on a payment or in violation of provisions of the loan documents”. Also provided in 2-FLP, paragraph 300 is a table with the required timeframes for lender actions on loans in monetary default.</p> <p>2-FLP, subparagraph 266 B establishes the general reporting requirements of lenders, describing the type of reports and the timeframe that reports must be submitted by lenders. Lenders must submit semiannual status reports of all guaranteed loan accounts and default status reports when a loan becomes 30 calendar days past due and every 60 calendar days until the default is cured. These reports need to be reviewed to ensure that lenders are meeting these requirements.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

H
Completing
FSA-2101,
Part C
(Continued)

Item	Review Explanation
22 (Cntd)	<p>Restructuring requirements and options for guaranteed loans are covered in 2-FLP, Part 12, Sections 2 and 3. If liquidation is imminent, the liquidation process is discussed in 2-FLP, Part 14. 2-FLP, Part 14 also governs mediation, foreclosure and acceleration, liquidation plans, and the submission of estimated and final loss claims.</p> <p>2-FLP, paragraph 359 states that “An estimated loss claim will be submitted by the lender with the liquidation plan if the liquidation is expected to exceed 90 days”. 2-FLP, paragraph 360 states that “Lenders may submit a final loss claim when the security has been liquidated and all proceeds have been received and applied to the account”.</p> <p>Review the GLS2001 report, GLS2002 report, and GLSNT06 report to identify accounts that may need attention and discuss the status of these accounts with FLM to ensure that any needed action is being completed according to the regulatory requirements.</p>

I
Completing
FSA-2101,
Part D

Follow this table to complete FSA-2101, Part D, General: Service Center Organization Management.

Item	Review Explanation
23	<p>Refer to the National Procedure Checklists, and by a sampling or spot review, verify that procedure notices and FLP handbook amendments are being filed in a timely manner, and consistent with 1-AS. <i>Note review results.</i></p> <p>1-AS defines the National Procedure Checklist and provides for the compilation, preparation and issuance of this checklist every week. The checklist is electronically distributed to the State Offices and is uploaded to the internet. A copy can be obtained at http://www.fsa.usda.gov/dam/msd/notices/fsa.htm. 1-AS, paragraph 190 requires the prompt filing of directives and provides the method of filing temporary and permanent directives for County Offices.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

I
Completing
FSA-2101,
Part D
(Continued)

Item	Review Explanation
24	<p>Review operational files for compliance with 25-AS, Exhibit 40.5. <i>Note review results.</i></p> <p>Review 25-AS, Exhibit 40.5 for a current list of the FLP operational files that should be in the Service Center. Check the FLP operational files to ensure compliance with this directive.</p>
25	<p>Review new chattel and/or crop loan docket (identified from MAC Application Report UAA911-R009) and verify that the appropriate security instruments have been filed. Review MAC Financing Statement Completion for Period of Review (WLS code 4020) to verify that Service Center staff are filing continuations for all security instruments in a timely manner. <i>Note review results.</i></p> <p>FmHA Instruction 1941-B provides instruction for the closing of loans secured by chattels. Paragraph 1941.57(g) of this subpart provides instruction for the filing or recording of security instruments.</p> <p>MAC Report UAA911-R009 (Exhibit 26) indicates the final disposition in a column heading labeled as “FINL DISP”, the loan closing date in the “DATE LOAN CLOSED” column heading, and the operating type (OL or EM) or chattel secured loans in the “TYPE OF LOAN” column heading. The type of assistance codes are listed under “TYPE OF ASST” column heading and are provided in the Form Manual Insert for FmHA 1940-1 for OL and EM chattel type loans.</p> <p>Look at all loan requests that have the coding “A” for approved in the “FINL DISP” column, check the loan closing date and the loan type for each loan. Review the files for all operating type loan (OL or EM) requests that have been approved and closed. Position 1 of the case file should contain copies of the filed UCC financing statements, stamped with the date and time of filing. If a first lien position was to be obtained by a subordination or assignment of another lender’s security interest, these documents should also be filed in the case file with the UCC financing statements. A copy of the executed Security Agreement (FSA-440-4, FSA-440-4A, or RD 440-15) should also be located in position 1 of the case file. If these security instruments have not been properly filed or executed, discuss this with FLM to make arrangements for correction.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

I
Completing
FSA-2101,
Part D
(Continued)

Item	Review Explanation
25 (Cntd)	<p>The MAC WLS code 4020 report will provide a list of follow-up dates for financing statement renewals. Check to make sure that these borrowers with new chattel loans have been entered into this system for the appropriate follow-up dates. To maintain the lien priority, a continuation statement must be filed within 6 months before the expiration date of the original financing statement, which is 5 years from the stamped date of filing. Review all other financing statement renewals on the MAC WLS code 4020 report to ensure that the appropriate follow-ups are being completed and that the continuation statements are being filed as necessary. Follow-up is also needed for any financing statements that are assigned or subordinated by another lender. Ensure that the Service Center staff have also made provisions for follow-up of these situations as well. An example of the MAC WLS code 4020 report is provided in Exhibit 47.</p>
26	<p>Conduct field outings with new FLO's (less than 2 years with FLP) to ascertain any potential weaknesses in training or experience that FLO's are receiving at the County Office. Discuss observations with FLM to determine whether any additional training or case work is necessary. <i>Document findings.</i></p> <p>Section 361 of the Consolidated Farm and Rural Development Act requires the Secretary to ensure proper supervision of FLP loans and adequate training of FSA credit employees in credit and financial analysis and farm management. 6-PM, paragraph 6 requires the unit heads and immediate supervisors to "evaluate results of employee development and training programs" and "report on training activities in their units". Field outings with new FLO's will provide insight to the strength of knowledge gained by FLO's in training at the County Office.</p>

Continued on the next page

DD Oversight Review Manual (Continued)

J

**Completing
FSA-2101,
Part E**

Follow this table to complete FSA-2101, Part E, Additional Reviews.

Item	Review Explanation
27A	<p>Review COR and NIR Service Center review reports, to ensure that the appropriate follow-up has been completed by the Service Center staff. Perform WITHIN ONE MONTH subsequent to review of the Service Center. <i>Note review results.</i></p> <p>16-AO, subparagraph 111 B cites the DD responsibilities for conducting County Office internal reviews. When weaknesses or errors in methodology are found in other internal control review processes, the Service Center staff is to respond to those finding in a timely manner as required by the particular review. DD will conduct reviews of these finding to ensure that the internal controls required by the Federal Managers' Financial Integrity Act, OMB Circular A-123, and Departmental Regulations are effective.</p>

MAC Report UAA911-R009, "Application Report, All Farm Loan Programs - Direct for Fiscal Year ____"

Kentucky Somewherein Report ID: UAA911-R009		U.S. Department of Agriculture Farm Service Agency Application Report All Farm Loan Programs - Direct For Fiscal Year 2001								Prepared: 4-19-2001 Page: 1		
APPLICANT NAME	DATE APPL REC	DATE COMP APPL	DYS CMP	ELIG DET DATE	DAYS TO ELIG	DATE FINAL DISP	FINL DISP	DYS TO FINAL DISP	DATE LOAN CLOSED	TYPE OF ASST	TYPE OF LOAN	AMT EMRG OF DESIG LOAN
FARMER JOHN	11-01-2000	11-16-2000	15	11-30-2000	14	11-30-2000	A	14	12-14-2000	151	OL	2,000.00
RIDEONA TRACTOR	11-07-2000	11-17-2000	10			12-27-2000	W	40		106	OL	
HARVEST CROPS	11-09-2000	11-30-2000	21			02-01-2001	W	63		036	FO	
IMA FARMER	11-28-2000	12-19-2000	21	11-30-2000	0	12-19-2000	A	0	12-29-2000	051	OL	34,000.00
JUSTIN TIME	01-16-2001	01-19-2001	3	02-14-2001	26	02-14-2001	A	26	03-05-2001	051	OL	32,000.00
JACK HAMMER	01-22-2001	02-26-2001	35	02-27-2001	1	03-12-2001	A	14	03-12-2001	112	OL	75,000.00
KATIE DID	01-22-2001	01-31-2001	9	01-30-2001	0	02-03-2001	A	6	02-15-2001	112	OL	40,000.00
STORMY WEATHER	02-02-2001	02-07-2001	5	02-08-2001	1	02-12-2001	A	5	02-26-2001	209	OL	25,000.00
GOOD WEATHER	02-27-2001	03-27-2001	28	03-26-2001	0	3-29-2001	A	2	04-12-2001	117	OL	10,650.00
GOOD WEATHER	02-27-2001	03-27-2001	28	03-26-2001	0	3-29-2001	A	2	04-12-2001	050	OL	21,200.00
FARMER JANE	03-05-2001	03-27-2001	22	04-12-2001	16	04-12-2001	R	16		209	OL	
TONY TRENCHER	03-06-2001									203	FO	
HARRY HUMOR	03-12-2001									112	OL	
GREG GRADER	03-13-2001	03-29-2001	16	04-10-2001	12	04-10-2001	R	12		211	OL	
GREG GRADER	03-13-2001	03-29-2001	16	04-10-2001	12	04-10-2001	R	12		209	OL	
BOBBY BALER	03-28-2001	04-02-2001	5	04-04-2001	2	04-04-2001	A	2		117	OL	
BOBBY BALER	03-28-2001	04-02-2001	5	04-04-2001	2	04-04-2001	A	2		050	OL	
DREDDER LOCUST	04-04-2001	04-04-2001	0							112	OL	
CORN BORER	04-05-2001	04-05-2001	0	04-05-2001	0	04-05-2001	A	0		112	OL	
RUSTY TRUCK	04-09-2001									209	OL	
GRAND TOTALS:	(COUNT) 20	(CNT) 17	(AVG) 9	(CNT) 16	(AV) 14	(TOTAL)						239,850.00
	FINAL DISP COUNTS: A = 14	R = 0	W = 2	TOTAL = 16								

MAC Report UAA9A4-R004, "Application Statistics for FY ____"

Nowherein Somewherein Report ID: UAA9A4-R004		U. S. Department of Agriculture Farm Service Agency Application Report Application Statistics for FY 2001				Prepared: 04-21-2001 Page: 1		
						DIR	GUAR	
APPLICATIONS ON HAND		Unclosed Applications from Prior FY:				2	2	
		Unprocessed Applications from Prior FY:				1	0	
		Applications Received This FY To Date:				20	2	
		Total Applications for This FY:				20	2	
		Total Applications Carried Forward Into Next FY:				3	17	
COMPLETION OF APPLICATIONS		Applications Withdrawn Before Completion:				2	0	
		Applications Incomplete:				3	0	
		Applications Complete:				17	2	
ELIGIBILITY ACTION ON COMPLETE APPLICATIONS		Complete Applications Withdrawn Before Eligibility Action:				1	0	
		Complete Applications That Have Not Yet Received Eligibility Action:				2	0	
		Complete Applications That Have Received Eligibility Action:				14	2	
ELIGIBILITY DETERMINATIONS ON COMPLETE APPS		Complete Applications Determined Not Eligible/Rejected:				3	0	
		Complete Applications Determined Eligible:				16	N/A	
FINAL DECISION ON ELIGIBLE APPLICANTS		Eligible Applicants Withdrawn:				0	0	
		Eligible Applicants With No Final Actions:				0	0	
		Applications Rejected:				0	0	
		Applications Approved:				11	2	
CLOSING OF APPROVED APPLICATIONS		Approved Applications Withdrawn:				0	1	
		Approved Applications With Loan Not Closed:				3	2	
		Approved Applications With Loans Closed:				8	0	
AVERAGE INTERVALS		Average Days Receipt To Complete Application:				24.0	4.5	
		Average Days Complete to Eligibility/Action:				3.3	N/A	
		Average Days Eligibility to Approval/Rejection:				3.7	N/A	
		Average Days Complete to Approval/Rejection:				3.3	0.0	
		Average Days Approval to Closing:				14.0	0.0	
SUMMARY	TOTAL	CARRYOVER	RECEIVED	REJECTED	WITHDRAWN	APPROVED	CLOSED	IN PROCESS
Direct:	26		20		2	17	12	10
Guaranteed:	4		2			4		2

Report Code 540, "Status of Farm Credit Programs"

UNITED STATES DEPARTMENT IF AGRICULTURE FARM SERVICE AGENCY						REPORT CODE 540	PAGE 1
STATUS OF FARM CREDIT PROGRAMS AS OF APRIL 02, 2001							
SERVICING OFFICE LOCATION - SOMEWHEREIN , KENTUCKY						(21-320)	
CASE NUMBER							
BORROWER NAME ST CO BORR-ID							
LOAN SERVICING INFORMATION CODES	FD LN CD NO	UNPAID BALANCES INTEREST PRINCIPAL	DAILY INTEREST ACCUAL	INTEREST RATE	DATE OF LAST CASH PAYMENT	PAYMENT STATUS A=AHEAD B=BEHIND	SCHEDULED ANNUAL INSTALLMENT
BORROWERS WITH LOANS 90 DAYS OR MORE PAST DUE :							
TRACTOR, RIDEONA	20 34	111223333					
FYLN.	44 01	\$.11 \$ 10.00	.0014	5.2500	01/19/01	\$ 1,106.61 B	\$.00
ISA	44 01	4.40	1,092.10				
0101	44 03	49.80	4,149.88	.6822	6.0000	01/19/01	.00 2,329.00
ISA	44 03	633.88	1,832.49				
TOTAL		688.19 7,084.47	.6836			1,106.61 B	2,329.00
A FARMER, IMA	20 57	444556666 GL					
LR,0101	44 01	7,006.74 147,830.00	20.2507	5.0000	NONE	25,548.00 B	25,548.00
A TIME, JUSTIN	20 34	777889999				1M 06/97	
0101	44 09	296.46 19,602.84	3.0881	5.7500	12/27/00	5,252.00 B	5,252.00
BORROWERS WITH LOANS LESS THAN 90 DAYS PAST DUE :							
SCI, FI	20 84	111111111				1M 05/89	
	44 15	5432.89 121,256.01		4.7500	11/02/00	592.00 B	6,220.00
	44 16	1231.28 58,592.29		5.0000	09/28/00	200.00 A	1,824.00
BORROWERS WITH LOANS THAT MAY REQUIRE ATTENTION (OTHER):							
BORER, CORN	20 84	000112222	BAP	SAA		3R 05/89	
LR,0101	41 06	22,486.23 74,496.37	8.1640	4.0000	10/12/00	25,083.01 B	5,313.00
NCAP,	41 06	36.52					
TOTAL		22,522.75 74,496.37	8.1640			25,083.01 B	5,313.00
BORROWERS WITH ALL LOANS ON OR AHEAD OF SCHEDULE:							
ACE, GRIM	20 57	444444444					
LR,0101	41 06	299.42 29,143.75	3.9923	5.0000	01/17/01	.00	2,507.00
ISA	41 06	1,874.01 803.76					
TOTAL		2176.43 29,947.51	3.9923				2,507.00
BALER, BOBBY	20 84	666778888					
0101	29 07	23,393.02 112,124.78	19.9674	6.5000	02/02/01	.00	12,554.00
DFRL,	29 07	23,313.56					
TOTAL		23,393.02 112124.78	19.9674			.00	12,554.00

MAC Report UAA395-R001, "1951-S History Report"

Kentucky Somewherein Report ID:UAA395-R001	U.S. Department of Agriculture Farm Service Agency 1951-S History Report	Prepared: 04-26-2001 Page: 1
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Borrower Name: RIDEONA TRACTOR	Case Number: 21-020-000112222
Category Code: CAT020 Name: 90 DAYS PAST DUE	Default Date: 01-01-2001
Date Initialed: 04-26-01 Time Initialed: 10:54:12	Open Activities: Yes

A. CBDT302 DETERMINE IF BORROWER HAS BEEN DISCHARGED OF FLP DEBT	04-25-2001 C	III	A
03 BORROWER HAS NOT PREVIOUSLY FILED BANKRUPTCY	A1-CBS301		

AI. CBS3 SEND EXH A & ATT 1&2 & 1951-C OFFSET LTR TO B BY SEP CERT MAIL	04-25-2001 C	III	B
01 EXH A, ATT 1&1 & 1951-C OFFSET LTR SENT TO B BY SEPARATE CERT MAIL	B-CBW309		
	C-CBC-301		
	D-CBN302		

Branch B Generated from A1 CBS301 01

Open B. CBW309 WAIT FOR CERTIFIED MAIL, 1951-C OFFSET LETTER	05-05-2001 I	III	D
01 CERTIFIED MAIL ACCEPTED	CBW310		
02 CERTIFIED MAIL UNCLAIMED OR UNDELIVERABLE	CBS302		

Branch C Generated from A1 CBS301 01

Open C. CBC301 WAIT FOR CERTIFIED MAIL FROM EXH A. ATT 1&2	05-05-2001 I	III	E
01 CERTIFIED MAIL ACCEPTED	CBW301		
02 CERTIFIED MAIL UNCLAIMED OR INDELIVERABLE	CBS302		

Branch D Generated from A1 CBS301 01

Open D. CBN302 NOTIFY B W/IN 10 DAYS ABOUT 51-S NOTICES BEING SENT	05-05-2001 I	III	AN
01 B NOTIFIED BY PHONE	END		
02 B NOTIFIED IN PERSON	END		
03 UNABLE TO REACH B AFTER SEVERAL ATTEMPTS. SENT COURTESY LTR REG MAIL	END		
04 UNABLE TO REACH B AFTER SEVERAL ATTEMPTS. DOCUMENTED IN RR ENTRY	END		

MAC Report UAA921-R001, "Direct Loan Servicing Report, All Open Activities"

Kentucky Somewherein Report ID: UAA921-R001		U. S. Department of Agriculture Farm Service Agency Direct Loan Servicing Report All Open Activities		Prepared: 2001
				Page: 1
BORROWER NAME	CATEGORY ACTIVITY	CODE/DESCRIPTION CODE/NAME	DUE DATE	PLAN DATE
IMA FARMER	CAT020 CBW301	90 DAYS PAST DUE WAIT FOR B'S RESPONSE TO EXH. A, ATT 1&2 60 DAYS	04-20-2001	04-20-2001
JUSTIN TIME	CAT020 CBW309 CBC301 CBN302	90 DAYS PAST DUE WAIT FOR CERTIFIED MAIL, 1951-C OFFSET LETTER WAIT FOR CERTIFIED MAIL FROM EXH A, ATT 1&2 NOTIFY B W/IN 10 DAYS ABOUT 51-S NOTICES BEING SENT	05-05-2001 05-05-2001 05-05-2001	05-05-2001 05-05-2001 05-05-2001
RIDEONA TRACTOR	CAT020 CBW309 CBC301 CBN302	90 DAYS PAST DUE WAIT FOR CERTIFIED MAIL, 1951-C OFFSET LETTER WAIT FOR CERTIFIED MAIL FROM EXH A, ATT 1&2 NOTIFY B W/IN 10 DAYS ABOUT 51-S NOTICES BEING SENT	05-05-2001 05-05-2001 05-05-2001	05-05-2001 05-05-2001 05-05-2001
CORN BORER	CAT020 BANKRUPT CERB301	90 DAYS PAST DUE BORROWER FILED BANKRUPTCY AFTER BEING INITIALIZED IN ANOTHER CATEG WAIT FOR RESULTS OF BANKRUPTCY	08-08-2000 04-23-2001	08-08-2000 04-23-2001

MAC WLS Code 4030 Report

KENTUCKY Somewherein Report ID: UAA700-R001		U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING			Prepared Time Page	: 04-01-2001 : 13:25:10 1
Select By: ITEM CODE 4030 Subordination Review						
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DAT	ASSGN TO	
2008400000000 FARMER JANE	4030	Subordination Review *****	10-07-2001 09-07-2001	09-15-2001 00-00-0000	NRM	
2008411111111 FI SCI	4030	Subordination Review *****	11-15-2001 10-15-2001	10-20-2001 00-00-0000	NRM	
2000322222222 RANCHER DAVE	4030	Subordination Review *****	11-31-2001 11-01-2001	11-01-2001 00-00-0000	NRM	
2003433333333 JACK FROST	4030	Subordination Review *****	11-31-2001 11-01-2001	11-01-2001 00-00-0000	NRM	
2005744444444 IMA FARMER	4030	Subordination Review *****	12-13-2001 11-13-2001	11-16-2001 00-00-0000	NRM	
2008466666666 JACK HAMMER	4030	Subordination Review *****	01-05-2002 12-05-2001	01-03-2002 00-00-0000	ARM	
2003455555555 JUSTIN TIME	4030	Subordination Review *****	02-03-2002 01-03-2002	01-03-2002 00-00-0000	NRM	
2102077777777 RIDEONA TRACTOR	4030	Subordination Review *****	02-28-2002 01-28-2002	02-28-2002 00-00-0000	NRM	
2005788888888 GOOD WEATHER	4030	Subordination Review *****	03-31-2002 02-28-2002	02-28-2002 00-00-0000	NRM	
2008400011222 CORN BORER	4030	Subordination Review *****	04-15-2002 03-15-2002	03-17-2002 00-00-0000	NRM	

MAC WLS Code 4025 Report

KENTUCKY Somewherein Report ID: UAA700-R001		U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING			Prepared Time Page	: 04-01-2001 : 13:25:10 1
Select By: ITEM CODE 4025		Year_End Analysis				
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DAT	ASSGN TO	
2005744444444 GRIM ACE	4025	Year_End Analysis *****	07-03-2001 06-03-2001	06-10-2001 00-00-0000	BST	
2008411111111 FI SCI	4025	Year_End Analysis *****	07-20-2001 06-20-2001	06-30-2001 00-00-0000	ARM	
2008466677888 BOBBY BALER	4025	Year_End Analysis *****	01-05-2002 12-05-2001	01-05-2002 00-00-0000	NRM	
2008433333300 PEAT MOSS	4025	Year_End Analysis *****	02-02-2002 01-02-2002	01-28-2002 00-00-0000	NRM	
2003433333333 JACK FROST	4025	Year_End Analysis *****	02-15-2002 01-15-2002	02-03-2002 00-00-0000	BST	
2005744455666 IMA FARMER	4025	Year_End Analysis *****	02-17-2002 01-17-2002	02-10-2002 00-00-0000	NRM	
2003477788999 JUSTIN TIME	4025	Year_End Analysis *****	03-02-2002 02-02-2002	02-28-2002 00-00-0000	ARM	
2008466666666 JACK HAMMER	4025	Year_End Analysis *****	03-10-2002 02-10-2002	03-05-2002 00-00-0000	BST	
2003411122333 RIDEONA TRACTOR	4025	Year_End Analysis *****	03-12-2002 02-12-2002	03-12-2002 00-00-0000	NRM	
2005788888888 GOOD WEATHER	4025	Year_End Analysis *****	03-21-2002 02-21-2002	03-15-2002 00-00-0000	NRM	
2008400011222 CORN BORER	4025	Year_End Analysis *****	04-01-2002 03-01-2002	03-23-2002 00-00-0000	BST	
2005799999999 RUSTY TRUCK	4025	Year_End Analysis *****	04-15-2002 03-15-2002	04-05-2002 00-00-0000	ARM	

MAC WLS Code 4010 Report, "Follow Up 1962-1"

KENTUCKY Somewherein Report ID: UAA700-R001	U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING	Prepared : 04-01-2001 Time : 13:25:10 Page 1			

Select By: COMPLETION DATE FROM: 07-01-2000 TO: 12-31-2002					
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DATE	ASSGN TO
20084000000000 SPLIT ENDS	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	04-30-2001 04-01-2001	00-00-0000 00-00-0000	BST
20084111111111 FI SCI	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	07-20-2001 06-20-2001	06-30-2001 00-00-0000	ARM
20084666778888 BOBBY BALER	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	01-05-2002 12-05-2001	01-05-2002 00-00-0000	
20003422222222 DAVE RANCHER	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	01-28-2002 12-28-2001	01-26-2002 00-00-0000	NRM
20084333333300 PEAT MOSS	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	02-02-2002 01-02-2002	00-00-0000 00-00-0000	NRM
20034333333333 JACK FROST	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	02-15-2002 01-15-2002	02-03-2002 00-00-0000	BST
20057444556666 IMA FARMER	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	03-02-2002 02-02-2002	02-28-2002 00-00-0000	NRM
20034777889999 JUSTIN TIME	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	03-10-2002 02-10-2002	03-05-2002 00-00-0000	ARM
20084666666666 JACK HAMMER	4010	Follow up 1962-1 PURCHASED CATTLE	03-10-2002 02-10-2002	03-05-2002 00-00-0000	BST
20034111223333 RIDEONA TRACTOR	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	03-12-2002 02-12-2002	03-12-2002 00-00-0000	NRM
20057888886688 GOOD WEATHER	4010	Follow up 1962-1 FOLLOW UP ON SECURITY AGREEMENT	03-21-2002 02-21-2002	03-15-2002 00-00-0000	NRM
20057999999999 RUSTY TRUCK	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	04-15-2002 03-15-2002	04-05-2002 00-00-0000	BST
20084000112222 CORN BORER	4010	Follow up 1962-1 FOLLOW UP ON 1962-1	04-30-2002 03-30-2002	03-23-2002 00-00-0000	ARM

MAC WLS Code 4015 Report, "Follow-Up With Security Agreement"

KENTUCKY Somewherein Report ID: UAA700-R001	U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING	Prepared Time Page	: 04-01-2001 : 13:25:10 1		

Select By: ITEM CODE 4015 Follow-up on Security Agreement					
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DA1	ASSGN TO
20084000000000 SPLIT ENDS	4015	Follow-up on Security Agreement *****	10-07-2001 08-03-2001	09-08-2001 00-00-0000	NRM
20084111111111 FI SCI	4015	Follow-up on Security Agreement *****	11-31-2001 11-01-2001	11-05-2001 00-00-0000	NRM
20003422222222 DAVE RANCHER	4015	Follow-up on Security Agreement *****	11-31-2001 11-01-2001	11-05-2001 00-00-0000	NRM
20084333333300 PEAT MOSS	4015	Follow-up on Security Agreement *****	11-31-2001 11-01-2001	11-07-2002 00-00-0000	NRM
20034333333333 JACK FROST	4015	Follow-up on Security Agreement *****	11-31-2001 11-01-2001	11-07-2002 00-00-0000	NRM
20057444556666 IMA FARMER	4015	Follow-up on Security Agreement *****	12-31-2001 12-01-2001	12-05-2001 00-00-0000	NRM

MAC WLS Code 2050 Report

KENTUCKY Somewherein Report ID: UAA700-R001	U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING	Prepared : 04-01-2001 Time : 13:25:10 Page 1			

Select By: ITEM CODE 2050 Delinquency Visit(Field)					
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DATE	ASSGN TO
20057444556666 IMA FARMER	2050	Delinquency Visit(Field) FOLLOW UP VISIT	04-30-2001 04-01-2001	00-00-0000 00-00-0000	EDT
20084111111111 FI SCI	2050	Delinquency Visit(Field) FOLLOW UP VISIT	04-30-2001 04-01-2001	00-00-0000 00-00-0000	EDT
20034777889999 JUSTIN TIME	2050	Delinquency Visit(Field) FOLLOW UP VISIT	04-30-2001 04-01-2001	00-00-0000 00-00-0000	EDT
20034111223333 RIDEONA TRACTOR	2050	Delinquency Visit(Field) FOLLOW UP VISIT	04-30-2001 04-01-2001	00-00-0000 00-00-0000	EDT

Report Code 660D, "Limited Resource Loan Review"

FORM FSA	389-600	UNITED STATES DEPARTMENT OF AGRICULTURE				RUN DATE		05/08/01	
REPORT CODE	660D	FARM SERVICE AGENCY				AS OF DATE		02/01/01	
PROGRAM	KLBS07	FINANCE OFFICE				PAGE		1	
		LIMITED RESOURCE LOAN REVIEW REPORT				MAIL CODE			
SRVCG OFC	SRVCG OFC NAME	THREE MONTH NOTICE OF REVIEW DUE				20-324			
20-324	SOMEWHEREIN, KENTUCKY	FOR PERIOD 01/01/01 THRU 03/31/01							

NAME	CASE NUMBER	LOAN TYPE	LOAN CODE	DATE OF LOAN	INTEREST RATE	TOTAL ADVANCE	UNPAID PRINCIPAL	SCHEDULE STATUS	DATE OF LAST REVIEW	8M/8R ORIG PROCESS DATE
FURT, FRANK S.	20 024 404004404	OL	41-21	08/27/98	5.0000	26,851.76	25,259.88	0.00	02/01/00	
LASS, BONN E.	21 011 1012003	OL	41-02	12/22/98	5.0000	156,000.00	155,935.59	0.00	02/29/00	
LASS, BONN E.	21 011 1012003	OL	44-01	11/06/98	5.0000	26,500.00	23,577.54	0.00	02/29/00	
ONE, SOME	20 024 303003330	OL	44-15	11/07/98	5.0000	31,975.50	22,655.72	2,500.00 A	03/14/00	
RIGHTS, BRAG N.	20 024 550005053	OL	41-14	11/25/92	5.0000	191,189.46	153,281.22	0.00	02/02/00	
SOIL, DEEP N.	20 054 033033333	FO	41-28	03/03/93	5.0000	78,706.68	66,613.38	0.00	03/08/00	
WEATHER, FAIR R.	20 024 001022003	FO	41-26	06/19/89	5.0000	104,256.35	83,063.46	0.00	02/01/00	
WIRE, BARBED	20 054 770007770	OL	41-29	06/15/94	5.0000	135,000.00	124,365.03	0.00	03/08/00	
TOTALS FOR SRVCG OFC	TOTAL NUMBER OF BORROWERS	TOTAL LOANS		TOTAL AMOUNT OF ADVANCES		TOTAL UNPAID PRINCIPAL	TOTAL SCHEDULE STATUS	TOTAL REVIEWS DUE		
	7	8		750,479.75		654,751.82	2,500.00 A	7		

Report Code 660A, "Limited Resource Loan Review Report Past Due Reviews"

FORM FSA REPORT CODE PROGRAM	389-600 660A KLBS07	UNITED STATES DEPARTMENT OF AGRICULTURE FARM SERVICE AGENCY FINANCE OFFICE LIMITED RESOURCE LOAN REVIEW REPORT PAST DUE REVIEWS							RUN DATE AS OF DATE PAGE	05/08/01 02/01/01 1
SRVCG OFC 20-324	SRVCG OFC NAME SOMEWHEREIN, KENTUCKY	MAIL CODE 20-324								
NAME	CASE NUMBER	LOAN TYPE	LOAN CODE	DATE OF LOAN	INTEREST RATE	TOTAL ADVANCE	UNPAID PRINCIPAL	SCHEDULE STATUS	DATE OF LAST REVIEW	8M/8R ORIG PROCESS DATE
AFIELD, FARTHER	20 017 101023303	FO	41-05	08/25/89	5.0000	185,147.03	149,527.87	0.00	11/10/00	
ENDS, SPLIT	20 084 000000000	OL	44-01	04/30/99	5.0000	70,500.00	23,211.54	22,678.37 B	04/30/00	
GRAPH, SEISMO	20 017 101020003	FO	41-08	09/15/87	5.0000	27,515.70	20,364.36	0.00	11/10/00	
TOTALS FOR SRVCG OFC	TOTAL NUMBER OF BORROWERS	TOTAL LOANS		TOTAL AMOUNT OF ADVANCES		TOTAL UNPAID PRINCIPAL	TOTAL SCHEDULE STATUS	TOTAL PAST DUE REVIEWS		
	3	3		283,162.73		193,103.77	22,678.37 B	3		

MAC WLS Code 4000 Report, "1-Year Limited Resource Review"

KENTUCKY SOMEWHEREIN Report ID: UAA700-R001	U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING	Prepared Time Page	: 04-01-2001 : 13:25:10 1		
Select By: COMPLETION DATE					
FROM: 10-01-2000		TO: 12-31-2002			
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DAT	ASSGN TO
2005744444444 GRIM ACE	4000	1-Year Limited Resource Review *****	07-03-2001 06-03-2001	06-10-2001 00-00-0000	NRM
2008400000000 SPLIT ENDS	4000	1-Year Limited Resource Review *****	04-30-2001 03-30-2001	06-30-2001 00-00-0000	NRM
2008411111111 FI SCI	4000	1-Year Limited Resource Review *****	07-20-2001 06-20-2001	06-30-2001 00-00-0000	NRM
2000342222222 DAVE RANCHER	4000	1-Year Limited Resource Review *****	01-28-2002 12-28-2001	01-26-2002 00-00-0000	NRM
2008433333300 PEAT MOSS	4000	1-Year Limited Resource Review *****	02-02-2002 01-02-2002	01-28-2002 00-00-0000	NRM
2002440400404 FRANK FURT	4000	1-Year Limited Resource Review *****	02-28-2002 02-01-2002	02-28-2002 00-00-0000	NRM
2003455555555 BRAG N. RIGHTS	4000	1-Year Limited Resource Review *****	03-31-2002 03-01-2002	03-15-2002 00-00-0000	NRM
2101110120033 BONN E. LASS	4000	1-Year Limited Resource Review *****	03-31-2002 03-01-2002	03-15-2002 00-00-0000	NRM
2005799999999 RUSTY TRUCK	4000	1-Year Limited Resource Review *****	04-15-2002 03-15-2002	03-15-2002 00-00-0000	NRM
2005788888888 RIDEONA TRACTOR	4000	1-Year Limited Resource Review *****	03-31-2002 03-01-2002	03-15-2002 00-00-0000	NRM
20024001022003 FAIR R. WEATHER	4000	1-Year Limited Resource Review *****	04-30-2002 04-01-2002	03-20-2002 00-00-0000	
20084000112222 CORN BORER	4000	1-Year Limited Resource Review *****	04-30-2002 04-01-2002	3-23-2002 00-00-0000	

ADPS Transaction Code 8M, "Limited Resource Loan Review"

ADMU8M01 FORM FMHA 1951-21, "LIMITED RESOURCE LOAN REVIEW" 03/05/01
ADPS TRANSACTION CODE 8M 12:59:00
OPR ID K72024 LIMITED RESOURCE LOAN REVIEW

CASE NUMBER 20 024 404004040 NAME FRANK S. FURT
DATE OF REVIEW 030101

APPROVING OFFICIAL _____

SEQ	PR	DL	AP	JURDCTN	DISCREPANCY	TIMES	BLOCK-NBR	PROC-DTE
NBR	CDE	CDE	CDE	ST-UNIT	** CODES **	REJTD	ORIG - 5624	030501
000	P	00	00	KO 24		000	CURR - 5624	030501
VERIFY						OK TO UPDATE?(RESPOND Y OR N)		
OPTN# (1-MENU 2-STAT 3-NXBO 4-NWTX 5-NXTX 6-PRTX 7-RCAP 8-XREF 9-ONHL P-PROP)								

TRANSACTION HAS BEEN UPDATED

ADPS Transaction Code 8R, "Interest Rate Adjustment"

ADMU8R01
ADPS
OPR ID K72024

TRANSACTION CODE 8R
INTEREST RATE ADJUSTMENT

01/06/01
13:40:36
PAGE 001
MORE

CASE NUMBER	20 084 000000000	NAME	SPLIT ENDS
OK CODE		FUND CODE	41
LOAN NUMBER	05	DATE OF REVIEW	010201
KIND CODE	00	UNPAID PRINCIPLE	- 014952787
FINAL YEAR OF LOAN	23	INTEREST RATE	065000
EFFECTIVE DATE	122100	NUMBER OF INSTALLMENTS	03

INSTLMT NBR-----	AMOUNT-----	DATE-----	TYPE	INSTLMT NBR-----	AMOUNT-----	DATE-----	TYPE
01)	01164400	010101	1	02)	01312700	010102	2
03)				04)			
05)				06)			
07)				08)			

SEQ	PR	DL	AP	JURDCTN	DISCREPANCY	TIMES	BLOCK-NBR	PROC-DTE
NBR	CDE	CDE	CDE	ST-UNIT	** CODES **	REJTD	ORIG - 5624	010601
000	P	00	00	KO 24		000	CURR - 5624	010601
VERIFY						OK TO UPDATE?(RESPOND Y OR N) Y		
OPTN# (1-MENU 2-STAT 3-NXBO 4-NWTX 5-NXTX 6-PRTX 7-RCAP 8-XREF 9-ONHL P-PROP)								

TRANSACTION HAS BEEN UPDATED

Report Code 736, "Annual Review and Classification of Farm Loan Borrowers as of January"

MAILG : 20-324	UNITED STATES DEPARTMENT OF AGRICULTURE	REPORT CODE 736
PROGRAM : ECBRO5	FARM SERVICE AGENCY	RUN DATE : 03/04/01
		AS OF DATE : 01/02/01
	ANNUAL REVIEW AND CLASSIFICATION OF FARM LOAN BORROWERS	Page 1
	AS OF JANUARY 2, 2001	
SERVICING OFFICE LOCAT ON: SOMEWHEREIN , KENTUCKY		

BORROWER NAME	CASE NUMBER ST CO BORR - ID	LOAN CLSFCN CODE	ESTIMATED LOSS AMOUNT	UNPAID BALANCES INTEREST	PRINCIPAL	DATE LAST CLASSIFIED	DATE OF 8N ORIGINAL	REVIEW/ PROCESS DATE
FARMING, BIN	20 57 010-00-1111	1		\$ 378.52	\$ 141,702.17	12/31/00		
RANCHER, LARGE	20 57 222-32-2222	1		\$ 4,827.06	\$ 244,265.21	04/20/99		
YOUTH, JOHNNY	20 84 333-44-5550	1		\$ 429.78	\$ 3,600.00	05/10/00		
YOUTH, PATSY	20 84 660-06-0001	1		\$ 315.93	\$ 2,500.00	05/25/00		
BETCHA, U.	20 57 009-99-9000	2		\$ 348.40	\$ 121,108.82	03/20/00		
FRIDAY, FINALLY	20 57 888-88-8888	2		\$ 1,824.66	\$ 40,000.00	02/09/00		
TIME, WRONG	20 84 999-99-9999	2		\$ 2,537.40	\$ 67,850.00	02/08/00		
TIME, THIS	20 24 222-22-2222	2		\$ 100.17	\$ 37,500.00	03/15/00		
ACE, GRIM	20 57 444-44-4444	3		\$ 7,495.67	\$ 31,819.06	04/25/00		
BALER, BOBBY	20 84 667-77-8888	3		\$ 24,280.33	\$ 114,756.61	06/01/00		
DID, KATIE	20 84 889-89-9889	3		\$ 3,362.11	\$ 118,139.03	06/03/00		
LIGHTS, TURNONDE	20 52 90-000-9999	3		\$ 35.26	\$ 155,991.08	06/10/00		

LOAN CLASSIFICATION CODE:	
COMMERCIAL	: 1
STANDARD	: 2
SUB-STANDARD	: 3
DOUBTFUL	: 4
LOSS	: 5

Report Code 597-A, "Farm Credit Programs Inventory"

PROGRAM : KNBR03		UNITED STATES DEPARTMENT OF AGRICULTURE				RUN DATE		05/01/01		
FORM FSA : 389-871		FARM SERVICE AGENCY				AS OF DATE		04/30/01		
REPORT CODE : 597-A		FINANCE OFFICE				PAGE		1		
FARM CREDIT PROGRAMS INVENTORY										
STATE/COUNTY CODE : 21-314		SOURCE: FSA FORM 1955-3								
DISTRICT CODE : 21-502		FSA FORM 1955-50								
FORMER BORROWER/ PROPERTY ID CONG DIST	DATE ACQUIRED/ MKT VLU ACQSTN	DATE OF 1955-3	METHOD ACQUIRED/ SUITBLTY STATUS	DATE APPRAISED/ CUR MKT VLU TYPE BUSINESS	ACREAGE CROP PASTURE WOODS OTHER	DATE SOLD SUB TOTAL SALE NET SALES SALES COMM OTH SELLG EXP	MKT VLU ACQSTN PROP INCOME PROP EXPENSE GAIN/(LOSS)	DATE OF 1955-50/ SALES TERM SALES CODE SALES TYPE	*LESSEE* TOTAL PAID LEASE END LEASE TYPE	MOS IN INV
VERDE, MESA 200310096 02	\$ 200,000	07/03/95 08/11/95	VC SUIT	\$ 200,000 GRAIN	190.2 120.0 \$ 0.0 \$ 61.2 \$ 9.0 \$	0 0 \$ 0 \$ 0 \$ 0	\$ 200,000 42,602 0 0		\$ 41,287	70.9
CANYON, GRAND 2001400101 02	08/22/00 9980	08/23/00 3P	SURPLUS SOLD	\$ 12,000 LVSTK	10.6 0.0 \$ 9.6 \$ 0.0 1.0	11/22/00 25,000 \$ 25,000 \$ 0 \$ 0	\$ 9,980 0 0 15,020.00	12/01/00 CASH COMPLETE FSA	\$ 0	3.1
VALUE INVENTORY UNSOLD		\$ 200,000		VALUE INVENTORY SOLD		\$ 25,000				
NUMBER INVENTORY UNSOLD		1		NUMBER INVENTORY SOLD		1				
NUMBER ACQUIRED		0								
ACRES ACQUIRED		0.0								
ACREAGE REMAINING IN INVENTORY		190.2						ACRES SOLD		10.6

MAC Report UAA917-R008, "Application Report, All Farm Loan Programs - Guaranteed for
Fiscal Year _____"

Kentucky Somewherein Report ID: UAA917-R008	U. S. Department of Agriculture Farm Service Agency Application Report All Farm Loan Programs - Guaranteed For Fiscal Year 2001	Prepared: 04-24-2001 Page: 1
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APPLICANT NAME NAME AND CITY/STATE	DATE APPL REC	DATE COMP APPL	DYS CMP	DATE DFINAL DISP	FINL DISP	DYS TO FINAL DISP	DATE LOAN CLOSED	TYPE OF ASST	TYPE OF LOAN	AMT OF LOAN
FARMER JOHN FARM CREDIT SERVICES	11-17-2000	11-17-2000	0	11-22-2000	A	5	12-19-2000	36	FO	\$ 29,500.00
SPLIT ENDS AREA BANK	03-12-2001	03-12-2001	0	03-13-2001	A	1	04-04-2001	48	LOC	\$ 70,000.00
GRAND TOTALS:	(COUNT) 2	(COUNT) 2			(AVG) 9					(COUNT) \$ 99,500.00
	FINAL DISP COUNTS: A = 2 R = 0 W = 0 TOTAL = 2									

MAC Application Information Screen UAA20601

Farm Loan Pgms - MAC
Application Information Screen

Update
Version: AA33

UAA20601
04-24-2001Term X

FARMER JOHN

Case Number: 20-024-555588333
Screen 1 of 2

Date Received: 11-17-2000
Direct/Guar: G
Lndr ID: 0050055
Lndr Status Code: E
Sex Code: 2
Veteran: 2
Marital Status: 1
Requested Loan Amount: 29,500.00
Incomplete Appl Ltr2 Date:
Eligibility Decision Dt1:
Eligibility Decision Dt2:
Eligibility Decision Dt3:
Elig Decision Letter Date: 11-20-2000
Final Disposition Date: 11/22-2000
Reason Code:

Init/Sub: 1
Fund Code: 41 Type of Assistance: 3
Lndr Name: Farm Credit Services
Race/Ethnic: 1
Applicant Type: 01
Emp Relationship Cd:
Servicing Ofc Cd: 20324
Incomplete Appl Ltr1 Date:
Application Completed Date: 11-17-2000
Action Description 1: E
Action Description 2
Action Description 3
Beginning Farmer (Y or N): N
Final Disposition Action: A

Explanation: _____

Enter=Continue Cmd3=Previous Menu Cmd 7=End Cmd13=More Date Help=Help Text

MAC WLS Code 4046, "Interest Assistance Review"

KENTUCKY SOMEWHEREIN Report ID: UAA700-R001	U. S. Department of Agriculture Farm Loan Program - MAC WORKLOAD SCHEDULE REPORTING		Prepared Time Page	: 04-01-2001 : 13:25:10 1	

Select By: ITEM CODE					
4046 Interest Assistance Review					
ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DA1	ASSGN TO
20084000110011 FARMER JANE	4046	Interest Assistance Review *****	10-31-2001 10-01-2001	11-23-2001 00-00-0000	NRM
20084111111111 FI SCI	4046	Interest Assistance Review *****	10-31-2001 10-01-2001	12-19-2001 00-00-0000	NRM
20003222222222 DAVE RANCHER	4046	Interest Assistance Review *****	10-31-2001 10-01-2001	12-23-2001 00-00-0000	NRM
20084333333300 PEAT MOSS	4046	Interest Assistance Review *****	10-31-2001 10-01-2001	12-23-2001 00-00-0000	NRM
20034333333333 JACK FROST	4046	Interest Assistance Review *****	02-28-2002 02-01-2002	03-03-2002 00-00-0000	NRM
20057444444444 GRIM ACE	4046	Interest Assistance Review *****	03-31-2002 03-01-2002	03-03-2002 00-00-0000	NRM
20034555555555 JUSTIN TIME	4046	Interest Assistance Review *****	03-31-2002 03-01-2002	03-31-2002 00-00-0000	NRM
20084666666666 JACK HAMMER	4046	Interest Assistance Review *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
20034111223333 RIDEONA TRACTOR	4046	Interest Assistance Review *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
20057888888888 GOOD WEATHER	4046	Interest Assistance Review *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
20057999999999 RUSTY TRUCK	4046	Interest Assistance Review *****	04-30-2002 04-01-2002	00-00-0000 00-00-0000	
20084000112222 CORN BORER	4046	Interest Assistance Review *****	04-30-2002 04-01-2002	00-00-0000 00-00-0000	

GLS2001 Report, "Listing of Delinquent Borrowers"

CAC627 GLS2001		UNITED STATES DEPARTMENT OF AGRICULTURE FARM SERVICE AGENCY Listing of Delinquent Borrowers								06/06/01 10.54.56 PAGE 2	
BORR NAME/ BORR TAX ID	ST CD	CNTY CD	LENDER ID/BRCH	LOAN NUM	LOAN TYPE	DELINQUENT EFFECTIVE DATE	LOAN AMOUNT	UNPAID PRIN. BALANCE	UNPAID ACRU. INTEREST	PAST DUE AMT	MOS DLQ
CANYON, GRAND 444556566	20	024	UOME BANK	54	FO	06/09/1998	\$ 50,000.00	\$ 39,981.61	\$ 5,995.27	\$ 45,976.88	36
FORCED LIQUIDATION PENDING											
MARK, HITDA 111111112	20	024	FARMERS	50	FO	05/01/2000	\$ 290,000.00	\$ 290,000.00	\$ 11,274.61	\$ 316,858.78	13
FORCED LIQUID PENDING EST LOSS CLAIM FILED											
TOTALS FOR MAIL CODE 20-324							\$ 340,000.00	\$ 340,000.00	\$ 17,269.88	\$ 362,835.66	
TOTALS FOR LOAN TYPE FO							\$ 340,000.00	\$ 340,000.00	\$ 17,269.88	\$ 362,835.66	
APPLESEED, JOHNNY 000060000	20	024	GIMME	53	OL	04/01/2000	\$ 128,000.00	\$ 90,999.14	\$ 14,225.17	\$ 108,939.01	14
VOLUNTARY LIQUIDATION PENDING											
HOME, GONE 600050099	20	024	CREDIT BANK	51	OL	05/01/2000	\$ 65,000.00	\$ 64,832.61	\$ 7,689.44	\$ 72,522.05	13
FORCED LIQUID PENDING EST LOSS CLAIM FILED											
TOTALS FOR MAIL CODE 20-324							\$ 193,000.00	\$ 155,831.75	\$ 21,914.61	\$ 101,461.06	
TOTALS FOR LOAN TYPE OL							\$ 193,000.00	\$ 155,831.75	\$ 21,914.61	\$ 101,461.06	
COLUMBUS, CHRISTOPHER 333556666	21	011	UOME	50	OL-LOC	04/26/1492	\$ 186,600.00	\$ 156,321.47	\$ 38,448.62	\$ 195,215.50	26
FORCED LIQUID PENDING EST LOSS CLAIM FILED											
FROST, JACK 666889999	21	011	FARMERS	54	OL-LOC	04/01/1999	\$ 65,000.00	\$ 46,387.66	\$ 5,618.77	\$ 1,019.89	14
VOLUNTARY LIQUIDATION PENDING											
JESSE, JAMES 20	20	024	CREDIT BNK	52	OL-LOC	05/01/2000	\$ 190,000.00	\$ 43,222.45	\$ 13,618.39	\$ 55,882.14	13
FORCED LIQUIDATION PENDING											
TOTALS FOR MAIL CODE 20-324							\$ 441,600.00	\$ 245,931.58	\$ 57,685.78	\$ 252,117.53	
TOTALS FOR LOAN TYPE OL-LOC							\$ 255,000.00	\$ 89,610.11	\$ 19,237.16	\$ 56,902.03	

MAC WLS Code 4020 Report

KENTUCKY
SOMEWHEREIN
Report ID: UAA700-R001

U. S. Department of Agriculture
Farm Loan Program - MAC
WORKLOAD SCHEDULE REPORTING

Prepared : 04-01-2001
Time : 13:25:10
Page 1

Select By: ITEM CODE
4020 Financing Statement Renewal

ST-CNTY LOAN APPL/BORROWER I.D. NAME (FIRST / MIDDLE / LAST)	ITEM CODE	WLS ACTIVITY NAME COMMENTS	DUE DATE/ FOL DATE	CMP DATE/ CANCEL DA1	ASSGN TO
2008400000000 SPLIT ENDS	4020	Financing Statement Renewal *****	10-31-2001 10-01-2001	00-00-0000 00-00-0000	NRM
2008411111111 FI SCI	4020	Financing Statement Renewal *****	10-31-2001 10-01-2001	00-00-0000 00-00-0000	NRM
2000322222222 DAVE RANCHER	4020	Financing Statement Renewal *****	10-31-2001 10-01-2001	00-00-0000 00-00-0000	NRM
2008433333300 PEAT MOSS	4020	Financing Statement Renewal *****	10-31-2001 10-01-2001	00-00-0000 00-00-0000	NRM
2003433333333 JACK FROST	4020	Financing Statement Renewal *****	02-28-2002 02-01-2002	00-00-0000 00-00-0000	NRM
2005744455666 IMA FARMER	4020	Financing Statement Renewal *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
2003455555555 JUSTIN TIME	4020	Financing Statement Renewal *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
2008466666666 JACK HAMMER	4020	Financing Statement Renewal *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
2003411122333 RIDEONA TRACTOR	4020	Financing Statement Renewal *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
2005788888888 GOOD WEATHER	4020	Financing Statement Renewal *****	03-31-2002 03-01-2002	00-00-0000 00-00-0000	NRM
2005799999999 RUSTY TRUCK	4020	Financing Statement Renewal *****	04-30-2002 04-01-2002	00-00-0000 00-00-0000	
2008400011222 CORN BORER	4020	Financing Statement Renewal *****	04-30-2002 04-01-2002	00-00-0000 00-00-0000	